DETERMINANTS OF ACCESS TO FORMAL CREDIT BY THE INDUSTRIAL AND CONSTRUCTIONAL SMALL AND MEDIUM ENTERPRISES IN CAN THO CITY, VIETNAM

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ARTICLE INFO	ABSTRACT
	The studies on determinants of access to formal credit of industrial and constructional Small and Medium Enterprises (SMEs) in Can Tho City, Viet Nam used primary data from 200 industrial and construction SMEs in the Can Tho City in 2013. Using the Probit model, the findings have showed that three factors including number of operational years in business of the enterprises, the scale of enterprises and the enterprises' revenue growth rates are statistically significant affect on the ability to access credit by SMEs. The results implied possible solutions to improve the possibility to access to formal credits industrial and constructional SMEs given by financial institutions, to assist the Enterprises to invest and widen their production and performance.

1 INTRODUCTION

Can Tho City, the center of economy, culture, society of the Mekong River Delta, which has a great potential for industry, agriculture, fisheries and trade in services. The contributions of Small and Medium Enterprises (SMEs) to economic development of Can Tho City cannot be overemphasized. These entities create a driving force for economic restructuring towards industrialization and modernization.

There are 12,000 active enterprises with a total registered capital of more than 43,000 billion in the City in 2013 (Statistical Yearbook of Can Tho, 2013*)*. Regarding to the Decree No. 56/2009/ND-CP, the number of SMEs in Can Tho City accounted for 85% of the total number of enterprises of the city. Recently, SMEs contributed about 45% of GDP, about 25% of the total budget

revenues, helping to resolve more than 60% of non-agricultural workers (Statistical Yearbook of Can Tho, 2013*)*. SMEs have become important parts of the economy of Can Tho City. However, the SMEs in general and SMEs in industry and construction in Can Tho City did not develop and enhance the advantages of scale and flexibility in the new economic environment as expected. Most SMEs, especially SMEs in industry and construction, have limited access to credit due to the lack of collateral, lack of experience in bookkeeping records. Given conditions have been considered by the formal credit institutions (the banks).

This paper investigates the determinants of access to formal credit by small and medium enterprises in industry and construction in Can Tho City of Vietnam. It is expected that the results will give the solutions, recommendations to improve the acces-

sibility of bank credit for small and medium enterprises and construction industries in the coming time.

2 ANALYSIS FRAMEWORK AND METHODOLOGY

2.1 Demand versus supply of credit products

Diagne *et al.* (2000) define access to credit by a household as a situation in which at least one of its members has applied and borrowed money from a financial institution. This section provides a conceptual framework of supply and demand characteristics that result in access to credit (Fig. 1).

2.1.1 Supply of financial services

Decisions on acceptance of clients by a financial institution are mainly influenced by four factors: its strategies and objectives, the financial products it offers, selection criteria and the actual mechanisms used for client selection (Fig. 1) (Sharma and Zeller, 1999; Morduch, 2000). The objectives of an institution, such as cost reduction and expansion and pursuance of an institutions or welfare approach (Fig. 1), may influence its depth of outreach (Rhyne, 1998; Morduch, 2000). Strategies can result in the specification of a target group, for instance women in Grameen Bank or the rural poor. Furthermore, a microfinance institution may target particular areas on the basis of economic attractiveness, composition of the population or charity considerations (Sharma and Zeller, 1999).
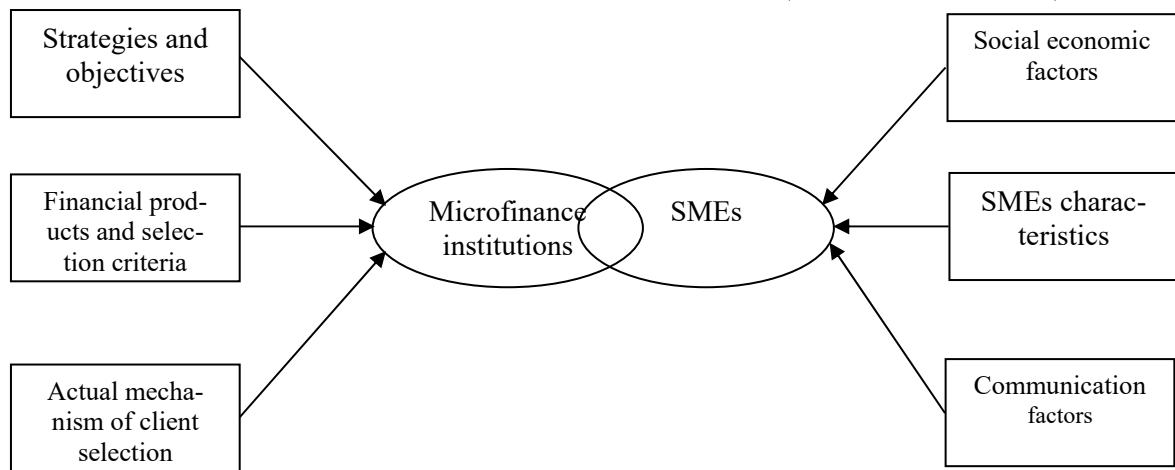

Fig. 1: Determinants of access to credit by SMEs on the supply and demand side, adapted from Vaessen (2001)

The financial products offered will influence the clientele of a microfinance institution. The interest rates and loan contract conditions may influence the level of participation in a financial market. Short term credit involving repeated formal requests is less attractive than long-term contracts or more flexible short term credit as delivered by informal lenders. As explained earlier, risk-taking households will accept higher interest rates than more risk averse households (Hoff and Stiglitz, 1990). Lending conditions may include the requirement of a guarantor (social collateral) and physical collateral. Obviously, both requirements may be significant barriers to potential borrowers (Zander, 1994). Another form of social collateral is group liability. In practice, social collateral is particularly important for financial institutions lending to the rural poor in the absence of any form of physical collateral (Vetrivel and Kumarmangalam, 2010).

The actual mechanisms used to attract clients affect the access to credit by potential clients. Microfinance institutions may give information on their activities to their potential clients through community meetings, radio broadcasting, community leaders, key informants, friends and relatives of existing clients and bank staff. Therefore, credit agents in microfinance institutions may need to acquire information on their potential customers (Aubert *et al.*, 2009). Furthermore, as suggested by Vaessen (2001), bank staff may favour certain potential clients because of friendship ties or relationships, or the relative ease of allocating loans to certain customers rather than others. Too much dependence of the lender on local information networks and bank staff's recommendations can have a negative influence by excluding those households not associated to clients or bank staff or not part of client networks in the location.

2.1.2 Credit demand

A SMEs' demand for credit may be affected by factors that include social economic, demographic, and communication characteristics as well as preferences for certain characteristics of the financial institutions' services as discussed above. In a study on credit taken out by small-scale enterprises in Kenya, Atieno (2001) suggested that income level, distance to credit sources, history of credit participation and assets significantly affect access to formal credit markets. A study by Omonona *et al.* (2008) showed that membership of local institutions, contacts with extension agents, value of household assets, share of value of assets held as livestock, household income, age, gender, education, main occupation and interest rates charged are all possible determinants of participation in formal credit programmes. In terms of accessibility, transaction costs play an important role.

In finance contracts, transaction costs[1] are incurred on both the lender and borrower sides. Transaction costs incurred by lenders include the cost and effort of information gathering, loan administration and enforcement. On the borrower side, transaction costs include various charges imposed by lenders on top of interest disbursements; e.g. application fees, transport costs, services fees, document fees and procedure fees. The borrowers' travel time and time spent in obtaining the loan are also transaction costs and may be considerable. Lost wages through lost time from work, for example, and the time needed to attend group meetings are significant transaction costs for most borrowers. Transaction costs will depend on physical costs such as transport costs, but also on the opportunity cost of time.

Transactions costs are affected by a number of factors such as clients' borrowing experience, past decisions on access to credit, size of households, size of credit involved, borrowers' distance from financial institutions and occupation (Battilana and Dorado, 2010). In addition, physical access is important for reducing transaction costs. In order for households to have access to formal credit, transport costs should not be restrictive and they obviously need to live at an accessible distance from the bank or Microfinance Institutions (MFI)

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[1] Transaction costs are commonly defined as being the cost of gathering information, evaluating alternative options, negotiating, contracting, and the physical transmitting of the object through a defined interface.

(Balogun and Yusuf, 2011). Thirdly, the loan size may influence transactions costs directly or indirectly depending on the system of loan organization. However, a study by Schreiner *et al.* (1996) on hire-purchase lending by retailers of consumer durables in South Africa found that the costs of lending do not vary with the size of the loan.

Furthermore, social capital is an important factor in a potential borrower's access to credit as it may significantly reduce transaction costs and increase the possibilities if entering group lending schemes. Coleman (1988), for example, comments that one could see access to individual networks connected to a credit programme as a form of individual social capital. Social capital is defined by Ellis (2000) as capital that arises due to mutuality within communities and between households based on trust resulting from social ties. It is made up of linkages of both ascribed and elective relationships between households and individuals. Such relationships may be vertical, as in an authority relationship, or horizontal, as in voluntary institutions. The former include relationships between people of different ranks and those above village level while the latter involve those between people of more or less the same rank e.g. relationships between villagers themselves. Ellis (2000) described the social capital of a community as attaching to one or more horizontal social groups e.g. associations, clubs and voluntary agencies that bring individuals together to pursue certain objectives. According to Adler and Kwon (2002), the social capital of an individual or household is reflected in the goodwill a person or household may experience from individuals or groups, including feelings of gratitude, reciprocity, respect and friendship. In a case study of group-based programmes, Woolcock (1999) determined that the extent of social relations between potential and actual group members, between group members and programme staff members and among programme staff members plays a significant role in the success of the programme. Other studies also confirm that higher levels of social capital are associated with better access to credit (Jain, 1996; Grootaert *et al.*, 2002).

Transaction costs will decrease the more the lender trusts the borrower. If the lender trusts the creditworthiness of the borrower, the processing, negotiation and delivery of credit will progress more smoothly and quickly. The level of trust is influenced by two factors. Firstly, studies by Yehuala (2008) and Mukiri (2008) confirm the importance of borrowers' experience. The former suggests that

past experience in formal credit use is highly important for access to it and the latter found that start-up experience facilitates securing credit from banks. Good repayment records will also put borrowers on a preference list of lenders and may reduce the transaction costs of information gathering and monitoring. Secondly, transaction costs are also influenced by how well the lender knows the borrower. Borrowers are usually required to pay several visits to the financial institutions to negotiate loans. The better they know each other, the more information is already available.

Apart from the factors mentioned above, the demand for credit by an individual or household will obviously depend on personal preferences, level of entrepreneurship, willingness to take risks, his/her capacity to meet the formal selection criteria and expectations on repayment performances on the part of the borrowers themselves as well as by the loan officers (Vaessen, 2001). However, among rural and especially poor household, reliable data on income sources and income levels may be scarce, leading to the moral hazard problems discussed above (Clement, 2009).

2.2 Previous studies

Access to credit is commonly affected by several socio-economic variables. Recently, Kebede and Abera (2014) studied the determinants of micro and small enterprises access to finance. By using the data of 134 SMEs in Asella and the Binary logistic regression, the findings shown that the age of operator, educational level, and possession of fixed assets, employment size, lending procedure and loan repayment period are significant factors that affect MSEs' access to credit. Furthermore, Nkuah *et al.* (2013) investigated the determinants of access to credit of small and medium enterprises in Ghana. By using the data 80 enterprises in Wa Municipality and the Probit model, the findings for the study indicated that there exist significantly, positive relations between certain attributes of a firm and access to credits. There are also, some financial activities such as business registration, documentation and recording, business planning, asset ownership, and others that also impact heavily on SMEs access to bank credits. In addition, a study of Nikaido *et al.* (2012) has tried to identify the determinants of bank loans for small enterprises. Some of primary factors affecting access to institutional credit are defined as firm size, collateral, past record of informal borrowing, status of registration, education and gender of the owner of

an enterprise. However, inter-regional variation in the access to credit by the enterprises is conceptualized by considering regional dummy variable. Northern and eastern regions of India are found to be less likely to receive banks credit as compared to firms located in southern India (Nikaido *et al.* 2012).

In Vietnam, few studies that have been conducted on the issues of access to credit of Small and Medium enterprises are discussed. First, Nghi (2011) analyzed *"Possibility of access to subsidized credits for Small and Medium Enterprises in Mekong Delta"*. By using 330 observations and logistic regression, the findings shown that the factors affecting on access to subsidized credits are the age of enterprises, educational level, social capital and the revenue growth of enterprises. In particular, enterprise scale is significant factors to access to given credit.

In addition, Canh (2008) investigated the *"Possibility to access to finance of Small and Medium Enterprises of Vietnam"*. The paper used the frequency analysis to define the possibility of access to finance for the enterprises with the sample of 430 observations gathered in 2005 and 2006. The findings show that the private SMEs are less access to finance of the Commercial Banks than State owned SMEs. Moreover, the paper implied that the larger enterprises have higher possibility to access to credit than the smaller enterprises due to their advantages of higher value of total assets that can be used as collateral for bank credit. On the other hand, the asymmatic and transparency of information can be seen as other obstacles for limitation of access to credits of SMEs. Furthermore, a study of Ninh and Thang (2008) is on the "Decisions access to credit of the business enterprises in Mekong Delta". The paper used data of 237 enterprises and the binary logistic model. The finding has shown that the factors affecting decision access to credit are enterprises scale, operational times, risk, growth opportunities, enterprise profit, educational level, enterprises' owner relationship to other enterprises, business sectors and the loss in capital.

Under this condition, an attempt has been made in this paper to examine the factors affecting on the access to credit by the enterprises mainly by using the direct interview by author and his colleagues. The model of the paper is that the industrial and constructional SMEs in Can Tho City have been considered. Last but not least, the access to credit framework proposed by Vaessen (2001) has been

used in particular sector in Can Tho City of Viet Nam.

3 METHODOLOGY

3.1 Data collection

The primary data used in the paper was collected from direct interview the Small and Medium industrial and constructions enterprises in Can Tho City, which access or not access formal credit thought the structured questionnaire by author and his colleagues during 2011-2013.

The sample designed as the following equation:

Where:

+ n: sample size
+ N: Population
+ e: sample error

$$n = \frac{N}{1 + N(e)^2}$$

There are 1,297 SMEs in industry and constructions in Can Tho City. Data used in the paper bounded by three districts Ninh Kieu, Binh Thuy and Cai Rang thus the sub-sample should be 584 SMEs in given sectors, limit the sample error (e) is 6%. Thus, n for this study has been calculated as follows:

$$n = \frac{584}{1 + 584(0,06)^2} = 188$$

The primary data was randomly simple based on the SMEs list given by the Department of Planning and Investment of Can Tho City. The sub-sample has been collected 200 SMEs.

3.2 Data analysis

Bias factors due to sample selection arise because it is often impossible to identify a perfectly random sample of the population of interest. Particularly when observations are selected in a process that is not perfectly independent of the outcome of interest, selection effects may lead to biased coefficients in regressions of the different outcomes (Heckman *et al*., 1998). This may result in inconsistent estimates. In order to avoid these problems, one of the most commonly used approaches in econometrical analyses is the Heckman selection model (Przeworski and Vreeland, 2000; Schaffner, 2002; Schafgans and Zinde-Walsh, 2002; Vreeland, 2002). The two-step method includes the estimation of a probit model for selection, followed by the addition of a correction factor which is the inverse Mill's ratio obtained from the probit model, into the second ordinary least square model of interest (Gujarati and Porter, 2009).

In this case, the SMEs' decision to a loan is assumed to be influenced by a number of SMEs' characteristics, as shown in the following equation (Greene, 2000):

$$W^* = \alpha'Z + u$$
$$Z_i^* = a_i L_i + u_i$$

If Z_i^* is a dummy that a SMEs takes a loan, equation measures the probability that a household i has access to formal credit; L_i is a vector of exogenous SMEs' variables that affect Z_i^*. The variable Z_i^* is not observed, but we observe if the SMEs has access to credit or not, whereby $Z_i = 1$ if $Z_i^* > 0$ and $Z_i = 0$ if $Z_i^* \leq 0$.

Table 1: Specification variables in the Probit models

Yi	Whether SMEs have access to credit which takes the value of 1 if the SMEs take credit, 0 otherwise
X_1	The age of SMEs – year in the operation, in years
X_2	Educational level (years)
X_3	Economic sector is dummy variable, 1 if the SMEs come from the State Enterprise, 0 otherwise.
X_4	The growth of the net revenues
X_5	SME's scale is a dummy variable, 1 if SMEs is medium enterprise and o otherwise.
X_6	Worker relationship is dummy variable, 1 if SMEs has a good relationship with the workers, 0 otherwise.

4 EMPIRICAL RESULTS

4.1 Sample overviews

In order to investigate the access to credit, an over views on the industrial and constructional SMEs need to be considered. The practical information on the SMEs has been illustrated in the Table 2.

Table 2: Sample overviews on the SMEs in industry and construction

	Unit	Min	Max	Mean	SD
Year in operation	Year	3	20	9	3.64
Total assets	Million VND	105	58,484	19,505	15,044
The equity	Million VND	(6,953)	199,629	12.316	17,019
Net Revenue	Million VND	304	520,018	39.155	59,999
Net profit	Million VND	(14,555)	19,532	1,063	2,758

Survey by author and his colleague (2013)

Table 2 shows that the average operational years of SMEs in given sectors are about 9 years, minimum about 03 year and maximum about 20 years. There are 07 State owned enterprises (account for 3.50%), 193 enterprises out of State owned enterprises (account for 96.5%). Moreover, regarding to the possession type, the samples have been classified into 86 limited liability enterprises (about 23.5%), 67 private enterprises (33.5% in total enterprises), 47 co-operation enterprises (23.5%). According to business sector, there are 128 industrial enterprises (account for 64.0%) and 72 construction enterprises. The table also indicates that the average total assets of SMEs are about 19,505 million Vietnamese dong (VND). The maximum total assets by SMEs are about 58.484 million VND and minimum about 105 million VND. Within total assets, the average equity of SMEs is about 12.316 million VND, maximum about 199.629 million VND and minimum about 6.953 million VND.

Net revenue of SMEs reflects the market demand that high market demand may lead to high revenue. The average revenue of SMEs is appropriately 39.155 million VND with high variation. In addition, there are 192 enterprises which have positive profit and the 08 others without profits. The net profit of SMEs is about 1.063 million VND.

The Figure 2 illustrates that there are 148 enterprises access to credit that accounts for 74% of observations and 52 enterprises work without credit accessibility (about 26%). This implied that most of surveyed enterprises operated in Can Tho City with the credit accessibility.
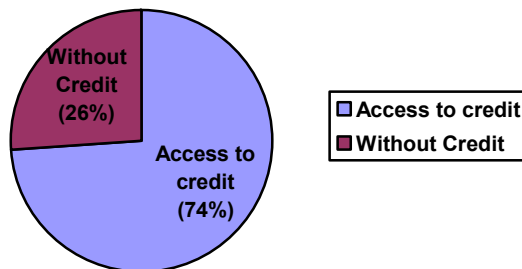

Fig. 2: The information on access to credit by industrial and construction enterprises

4.2 Respondents' characteristics

The level of education of a respondent fundamentally helps him or her to monitor good business management practices including credit management. More educated owners of Enterprises can be expected to have more access to formal credit than enterprises with less educated owners. This is because less educated owners tend to have difficulty with application procedures and expect to be rejected. In addition, better educated managers are more likely to have managerial skills in finance, marketing production, and international business that would lead to the firm's growth (Kumar and Francisco, 2005). To some extent, education is one of the ingredients banks look for when granting credit to its clients. Table 3 shows the details of the level of education of respondents. Most of enterprises' managers had educational level upper than university 11 persons (5.50%), college and university level 163 persons (81.5%), intermediate level 09 persons (4.50%) and the others from high school level (8.50%).

Table 3: Educational level of SMEs in industrial and construction

Educational level	Numbers	Percentage (%)
Upper University	11	5.50
University and College	163	81.5
Intermediate	9	4.50
High school	17	8.50
Total	200	100

4.3 Determinants of access to bank credit by the SMEs in industrial and construction

The results of the Probit model estimation using STATA are reported in Table 4.

Table 4: Results of the Probit estimation

Independent variables	$P > |z|$	Coefficients	(dy/dx)
Constant	0.000	-2.6604	
X_1	0.000***	0.2658	0.0354
X_2	0.211	0.6704	0.1051
X_3	0.729	-0.3135	-0.0460
X_4	0.003***	1.4771	0.1674
X_5	0.062*	0.9479	0.1264
X_6	0.371	0.4091	0.0591

Observations = 200; P-value of Chi square test = 47.52; Pro. = 0.0000
Log likelihood = -90.85

Notes: ***, **, * significant at 1%, 5%, 10%

Table 4 reported the results of the Probit model on determinants of access to credit by the SMEs in industrial and construction sectors in Can Tho City of Vietnam. There are three out of six variables statistically significance at the 1% and 10%. These are the number of years of business activity (X_1), the scale of business (X_4) and net growth revenue (X_5).

The number of years of business is statistically significant effect on access to credit of SMEs in given sectors at the 1% level. This variable has positive marginal impact coefficients. This is in line with initial expectations and shows the number of years of business operations proportional to the accessibility to bank loans. This result confirms the result from studies of Nghi (2011) and Omonona (2008). This was due to active business as long as high market reputation, have more extensive relationships with partners, the social organization, know how to expand relations, institutional understanding, regulating bank loans, have more experi-

ence in forecasting future business situation, deal and avoid the impact of the macro-economy, so these businesses access capital from the bank.

As expected to positive effect, enterprise-scale variable (X_4) is statistically significant positive effect on access to credit of enterprises at 1% level, indicating that this is a strong factor to the ability of the business bank loan. The result has shown that the enterprises with larger scale, the ability to borrow the capital of the bank will increase 16.7% compared to the smaller-scale enterprises. This result is in the line with the study of Kokko and Sjo'holm (2004) and Canh (2008) that also said that the enterprises with larger scale may have higher possible to capture the active situation on the market as well as regulations of bank loans.

The growth of net revenue (X5) is statistically positive significant effect on access to credit of enterprises at 10% level. This means that if the revenue of the business increased 1 million VND, then the possibility of their bank loans will increase 12.6%. This result confirmed findings of Nghi (2011).

Besides, educational level, business sector, business relationship does not affect the accessibility to bank loans of SMEs in industry and construction in Can Tho City.

4.4 Possible solutions to improve the accessibility of credit Bank of the SMEs in industry and construction

4.4.1 Enhanced the accessibility of banking credit business through the head of enterprises experience

As shown in the findings, the number of years in business of the enterprise is the key factor that affects the ability to bank loans. Enterprises, older enterprises that have the operating time longer in the market, are more extensive relationships with partners, the civil society organizations more or less built and branded for the business. For the younger ones, newly established enterprises, enhance the management experience of the head of the business are difficult to implement in the short term and depend more on objective factors. However, the head of the enterprise can enhance the management experience through the following form:

Regular updates of new knowledge, the necessary skills such as management skills in competition,

business leadership skills, presentation skills, negotiation and communication skills, strategic planning. Such improvement may help enterprises having sufficient competition in the market and access to the knowledge economy.

– Actively participate in training classes, training industry, participating organizations and related associations.

– Besides, the SMEs should attend the SMEs association seminars that may help enterprises to exchange experiences to other enterprises or attend the dialogue between local authorities and businesses to exchange information, removing, difficulties in business operations of SMEs in order to create a favorable business environment for the business.

– SMEs need building and promoting the brand on the market and registered trademarks. Given developments may help the enterprises to improve their performance.

Enhanced the accessibility of banking credit business through increased business scale SME scale is determined based on the value of the assets of the business. Therefore, to increase the scale of activities, enterprises need to increase the value of property through:

– SMEs need to restructure the capital property of the business, between fixed assets and current asset, regulate and determine the number of working capital necessary in the production process of the sewing business, boosting the speed of rotation of capital. In addition, enterprises also need to maximize the utilization and saving resources, assets in the business and improve the effective use of capital to help businesses enhance the level of trust for the Bank.

– Businesses need transparency bookkeeping, financial statements properly that reflects the actual situation of the business.

4.4.2 Improve the accessibility of the bank credit of enterprises through improving business revenue

Revenue has relationships directly proportional to consumption, output and revenue. To increase production of consumption, SMEs need to concern the following criteria:

– Increase the volume of product produced and consumed by the business. Assuming the case sale price does not change the volume of the product consumption has a direct impact with respect to sales in that period.

– Define the appropriate price for the product because the price has a significant effect on the production consumption. Thus, the good policy in price setting may help enterprises access to market and receive maximum revenue from the market.

– Improve the product quality due to the change in customer behavior. Today, the customer not only mentions the cheap price but also take the product with good quality. Therefore, the good quality product may be a factor fuels the consumption and extend the market share in the competitive markets.

– Improve the performance of the enterprises through various activities related to the managers, sales staff, research and development of production department and brand management in the SMEs.

5 CONCLUSIONS AND IMPLICATIONS

5.1 Conclusions

Small and medium enterprises play significant roles in the creation of jobs, increase income for workers, economic growth and mobilization of social resources involved in the process of development. However, SMES in general and SMES in industrial and constructional sectors in Can Tho City of Vietnam are currently facing various difficulties and obstacles in the process of development, especially a lack of capital. Although the enterprise has access to pretty much different capital but access to bank credit still is considered as significant fuel to improve the enterprises capacity.

Therefore, the determinants of access to credit by the SMEs in industrial and construction in Can Tho City with primary data from direct interview 200 enterprises, which 148 enterprises have access to credit and the other 52 enterprises have not access to credit is a necessary. By using the logistic regression model, three factors including the numbers of operational years in business, the business scales and net revenue growth of the enterprises are statistically significant effect on the access to credit of SMEs at the 1% and 10% levels.

Based on the results of research, the author proposes three groups of solutions that may help the SMEs in industry and construction to increase the scale of business and revenue, to improve the accessibility of the bank credit, make sure the business has enough capital investment, expand production and development business enhancing competitiveness.

5.2 Implications

The findings indicated that access to credit by the SMEs in industry and construction are significantly affected by the number of operational years in business, the scale of business and the net revenue growth of the SMEs. Given factors are reliable elements and are mainly contributed by the intrinsic capacity of the SMEs and the support of the commercial banks and provincial government administration in the process of promoting the development of local SMEs.

5.2.1 The Bank for SMEs

A good policy in bank credit to support the SMEs in general and SMEs in industrial and construction needs to be made. Such policy may help the SMEs that are facing difficult in credit accessibility to overcome that. In addition, access to bank credit for SMEs in given sectors could be considered that may relax the current problems of a lack of the collateral of the SMEs. Moreover, the SME credit guarantee fund should be encouraged to support loans promptly and effectively for SMEs.

SMEs that would like to capture the full market information and more timely should be supported more advisory services. The State Bank may prescribe the rate of supply of credit to commercial banks for SMEs while asking commercial banks to establish credit Bureau for SMES to facilitate this business area to increase accessibility to the Bank.

5.2.2 State Management Agency for SMEs

The State needs to set the development strategy, objectives, role for SMES in the short term, medium term, long term in order to renovate and modernize of the equipment, invest in production development. Given agency needs to encourage the SMEs to review, business strategy appraisal and the production approach. On the other hand, support for vocational training, employment recruitment support and labor brokers to the local SMEs need to be considered by the State agency.

The Can Tho People's Committee in collaboration with the Department of Science and Technology should develop the plan and arrange the funding to support SMEs in the implementation of registration and protection, apply the quality management system according to international standards in order to build the corporate brand. Therefore, building the brands is the enterprises' reputation for customers and even for enterprises' itself. Besides, having famous brands may attract the investors to invest in the business, customers of the business to cooperate and provide raw materials and goods for business.

For the industrial sector, the State needs to direct the development-oriented for SMEs according to the auxiliary industry participation into supply chains as well as global value chains. With the establishment of manufacturing companies from national and multinational enterprises, the transportation costs and risks are expected to be decreased which create great opportunities for suppliers of spare parts produced in developed countries. Given conditions, the industrial enterprises may have a good opportunity to operate efficiency, to improve the prestige to meet the requirement of the banks in credit accessibility.

For the construction sector, the State needs to plan, utilize the land resource to encourage the construction of social housing development, housing with good subsidize in order to stimulate to property market recovery, indirectly boosted the construction sector as well as the development of SMEs in construction.

The State should enact a law to support SMES that contributes to macro-economic environment, equal competition in order to increase the opportunities for the development of micro, small and medium enterprises.

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