Greener Journal of Business and Management Business Studies

ISSN: 2276-7827 ICV: 6.02

Submitted: 20/05/2016
Accepted: 30/05/2016
Published: 27/06/2016

DOI: http://doi.org/10.15580/GJBMS.2016.2.052016093

Performance of Young Businesses in Vietnam and Its Affecting Factors: Anempirical Study in Tu Son District, BacNinh Province

By

Bui Thi Nga

Research Article (DOI: http://doi.org/10.15580/GJBMS.2016.2.052016093)

Performance of Young Businesses in Vietnam and Its Affecting Factors: Anempirical Study in Tu Son District, BacNinh Province

Bui Thi Nga

Faculty of Accounting and Business Management, Vietnam National University of Agriculture.

Email: hieu0306 @gmail .com / btnga @vnua .edu .vn**;** Phone: +84 (0) 91 88 39 181

ABSTRACT

Tu Son is one of the traditional commercial districts in BacNinh province of Vietnam, that has many traditional villages and many young people in Tu Son have established and run their own business. Young businesses in Tu Son are often creative, active, flexible and quickly respond to the demand in the market. However, young businesses have less experience to face the difficulties and challenges in the market; therefore, it has been easy for them to be vulnerableto the market sock or crisis in recent years. This study aimed to analyze the performance results of young businesses in Tu Son district and find out some affecting factors to this result. The data were collected by standard questionnaires from 120 young businesses from November 2015 to January 2016. The results showed that the performance of young art furniture businesses were quite high and stable, the performance of young textile businesses tended to decrease while those numbers of young iron and steel businesses were quite high, but were not stable.There were five factors and all had positive impacts on the young businesses' profits: area of production, quantity of production, investment, equity capital, and revenue of the young businesses.To improve the performance of the young businesses, it is necessary to enlarge the area of production, increase the quantity of production, expand the investment in the production and owner equity, and promote the sales of products to enhance the revenue of the young businesses.

Keywords: young business, performance, textiles, art furniture, iron and steel.

1. INTRODUCTION

Tu Son is one of the traditional commercialdistricts in the South of BacNinh province, thathas many traditional villages and many Tu Son residents have become successful entrepreneurs from business activities (Trinh Thi Thu Phuong, 2014; Duong Thanh Van, 2013). This district has a population of 39.902 residents, of which, the youths account for 26.7% (SOTS, 2015) and many of these young people have established and run their own business. Young businesses in Tu Son are often creative, active, flexible and quickly respond to the demand in the market. They have gained many remarkable achievements and contributed to increasing revenue, profit, job creation... to develop the local economy (Tran Hoang Long, 2013).

However, young businesses had less experience to face the difficulties and challenges in the market, therefore, it has been easy for them to be vulnerableto the market sock or crisis in recent years.Many of them were lack of investment capital,difficultyinaccessingloans, or lack of land for production, low labor skills, low quantity of production, etc. (Nguyen ThiHaiNinh, 2012).Researches showed that, over 90% of young businesses had the demand for loan while only one-third businesses could access the loan from the bank, one-third faced difficulties in accessing the loan and the rest could not access the loan from the bank, only 10% of them could get the amount of loan relevant to their demand.(Nguyen ThiHaiNinh, 2012).These difficulties pose a negative impact on the performance of the young businesses. This study aimed to analyze the performance of young businesses in Tu Son district, BacNinh province and find out some affecting factors to this result.

2. METHODOLOGY

2.1 Method of sampling and collecting primary data

In this study, probability proportional to size (PPS) was used to select the number of youngbusinesses in the study sites.According to Salvatore and Reagle (2002), random sample size (n) is satisfied if it is at least 5% of the total sample size (N) and the number of observations is at least 30 ($n \geq 30$). In this study, N = 1784, thus n should be 89businesses (5% of the total sample). For the good statistically significant, we conducted a survey of 130 youngbusinesses, the number of valid obtained 120, reaching 6.72%.The data were collected by standard questionnairesfrom November 2015 to January 2016. Detail surveyed businesses were presented in table 1.

Table 1: Numbers of surveyed businesses

Kinds of businesses	Total numbers of young businesses in 2015*	Numbers of valid surveyed businesses	Ratio (%)
Total	1784	120	6.7
Iron and Steel	348	20	7.2
Art furniture	1138	69	4.8
Textile	298	31	6.7

*Source: * Statistical office of Tu Son district, Bac Ninh province*

2.2 Method of Data Analysis

In order to determine factors that impacts on the young businesses' performance and hence, businesses' efficiency, standard multiple regression is used to evaluate the effect of a set of independent variables and a continuous dependent variable, compare the predictive ability of particular independent variables and to find the best set of variables to predict a dependent variable.

The young businesses' performance equation:

$Y_{1i} = \chi_{1i}\beta_1 + u_{1i}$ u_{1i} ~ N(0,1)

Where Y_{1i} is the latent dependent variable

$\chi_{1i}$are vectors that are assumed to affect the performance and hence, the efficiency of young businesses.
$\beta_1$are vectors of unknown parameter in the young businesses' performance equation
$u_{1i}$are residuals that are independent and normally distributed with zero mean and constant variance

Table 2: Description of the dependent and independent variables used in the model

Variables	Description	Types	Values
EXPER	Number of years in doing and managingthe business of the business owners	Continuous	Number of years
AREA	Land area for doing business	Continuous	M2
EDU	Education level of the business owner	Dummy	0= secondary; 1= high school; 2=others
LABOUR	Number of working labors in the business	Continuous	People
QUAN	Number of production products that the business produce in one year	Continuous	Products
REV	Revenue of the business in one year	Continuous	Million Vietnam Dong
INVES	The amount of money that the business invests in the business in one year	Continuous	Million Vietnam Dong
EQUI	Monetary value in the business that belongs to the business owner	Continuous	Million Vietnam Dong
Y_{1i}	The amount of money that the business gains after deducting all relevant costs in one year	Continuous	Million Vietnam Dong

3. RESULTS AND DISCUSSION

3.1 Characteristics of the surveyed businesses

Education of the business owners

The educational level of the young business owners in the study sites was not high, majority of them just graduated from secondary school and high school. There were only two young entrepreneurs in the field of art furniture,whichgraduated from the university. In general, the field of iron and steel enterprises seemed to have the highest educational level with the high school graduation at 95%.

Table 3: Educational level of the young business owners (Unit: %)

Educational level	Textile (31 businesses)	Art furniture (69 businesses)	Iron and steel (20 businesses)
Secondary school	45.16	50.7	5
High school	54.84	46.4	95
University	0	2.9	0
Total	100	100	100

Source: Survey results

Experience

These were young businesses; therefore, they had less experience, popular is 4-6 years. Some businesses established were more than 10 years in the field of art furniture. These were also most average years of experience, while the least experience was textile businesses.

Table 4: Experience of the youth business owners(Unit: year)

Experience	Textile (31 businesses)	Art furniture (69 businesses)	Iron and steel (20 businesses)
Mean	4.68	5.5	5.25
Max	7	10	7
Min	3	3	3

Source: Survey results

Labor

All the surveyed young businesses were small size with number of labor commonly at 10 to 13 people. Iron and steel businesses had the highest number of workers while art furniture businesses had the fewest number of labor. Number of labor in the textile businesses seemed to decrease due to a greater competitive pressure from foreign textile firms (from Thailand, China, India, etc.). Besides, thanks to the improvement in the living standard, Vietnamese tended to buy fashionable branded products more than normal products of small and unknown businesses.

Table 5: Number of labor in young businesses(Unit: person)

Average numbers of labors	2013	2014	2015	Changed 2015/2013 (%)
Textile (31 businesses)	13.33	12	10.94	-18
Art furniture (69 businesses)	7.0	8.6	12.3	76
Iron and steel (20 businesses)	13.6	15.4	16.25	19
Total	**33.95**	**36**	**39.52**	**16**

Source: Survey results

Land for business production

Among the surveyed enterprises, production area was the largest at 3000 m2 iniron and steel businesses, the smallest was 30 m2 in art furniture businesses. On average, the largest land area belonged toiron and steel businesses at 773 m2 in 2015, followed by the textile businesses at 260 m2, and the smallest was theart furniture businesses, withjust under 200 m2. However, art furniture businesses tended to expand their production area while the textile businesses tended to narrow.

Table 6: Average production land area of youth businesses(Unit: m^2)

Production land area	**2013**	**2014**	**2015**	**Changed 2014 - 2013**		**Changed 2015 - 2014**	
				+/-	**%**	**+/-**	**%**
Textile (31 businesses)	278,2	280	261,2	1,8	0,65	-18,8	-6,71
Art furniture (69 businesses)	165,9	177	205,5	11,1	6,69	28,5	16,1
Iron and steel (20 businesses)	758	758	773	0	0	15	1,98

Source: Survey results

Investment

Iron and steel businesses had the highest investment due to the high cost and the requirement in machineries and equipments for this type of production, four and six times higherthan that of textiles and art furniture businesses, respectively. In addition, it steadily increased over the 3 years because the business owners seemed to expand their production. The art furniture businesses had the lowest investment level, commonly at 650-700 million VND. Textile businesses tended to narrow the production as investment decreased slightly over the years.

Table 7: Investment of the young businesses(Unit: Million VND)

Investment	**2013**	**2014**	**2015**	**Changed 2014 - 2013**		**Changed 2015 – 2014**	
				+/-	**%**	**+/-**	**%**
Textile (31 businesses)	1164	1133,4	1096	-30,6	-2,63	-37,4	-3,30
Art furniture (69 businesses)	651,6	708,6	714,7	57	8,75	6,1	0,86
Iron and steel (20 businesses)	3566,5	3836,5	4280,7	270	7,57	444,2	11,58

Source: Survey results

Equity capital

The equity capital of young businesses increased over the years. The capital of the Iron and steel was the highest, which was 9 times higher than those of the two remaining kinds of businesseswereEquity capital of iron and steel business had the highest growth rate. The capital of the textile business has increased, but more slowly than the two remaining sectors.

Table 8: The equity capital of the young businesses(Unit: Million VND)

Equity capital	2013	2014	2015	Changed 2014 - 2013		Changed 2015 – 2014	
				+/-	%	+/-	%
Textile (31 businesses)	312,5	336,4	358,4	23,9	8	22,	7
Art furniture (69 businesses)	291,8	373,6	382,6	81,8	28	9,	2
Iron and steel (20 businesses)	2455	2855	3475	400	16	620,	22

Source: Survey results

3.2 Performance of the young businesses

Revenue

Art furniture businesseshad quite high, but slow down revenue growth rate to 13.6% and 6.6% in 2014 and 2015, respectively, achieved the average revenue of 998 million VND in 2015. Iron and steel had a relatively high and increased revenue growth rate of 5.9% and 12.8% in 2014 and 2015, respectively, reaching an average amount of 5028 million VND in 2015. Textile businesses revenue declined about 2% in both 2014 and 2015, respectively.

Table 9: Average revenue of young businesses(Unit: Million VND)

Average revenue	2013	2014	2015	Changed 2014 - 2013		Changed 2015 – 2014	
				+/-	%	+/-	%
Textile (31 businesses)	1430	1395	1329	-35	-2,45	-66	-4,73
Art furniture (69 businesses)	824	936	998	112	13,59	62	6,62
Iron and steel (20 businesses)	4208	4457	5028	249	5,92	571	12,81

Source: Survey results

Profits of the young businesses

Textile businesses achieved the popular profit of around 200 million VND per annum with the increase in the average growth rate of 14.7% in 2014 compared to that of 2013 but decreased 2.7% in 2015. Arts furniture reached the lowest profit, but profit grew at the highest level, 33.67% and 24.66% in 2014 and 2015, respectively, reaching an average of 283.1 million per enterprise in 2015. Iron and steel businesses achieved the highest profit, but was not stable, a decline of 3.28% in 2014 compared to 2013, but increased at a high growth rate of 20.53%, reaching an average amount of 747.3 million per business in 2015.

Table 10: Average profit of young businesses(Unit: Million VND)

Average profit	2013	2014	2015	Changed 2014 - 2013		Changed 2015 – 2014	
				+/-	%	+/-	%
Textile (31 businesses)	206	236,3	233,6	30,3	14,71	-2,7	-1,14
Art furniture (69 businesses)	169,9	227,1	283,1	57,2	33,67	56	24,66
Iron and steel (20 businesses)	641	620	747,3	-21	-3,28	127,3	20,53

Source: Survey results

3.3. Factors affecting young businesses' profit

In the selection equation of the model, five variables were found to be significant determinants to young businesses' profits. They were:area of production (AREA), quantity of production (QUAN), investment of the SE (INVES), owner equity (EQUI), andrevenue of the SE (REV).

Table 11*: Affecting factors to young businesses'profit*

Variables	Coefficient	St.error	t-ratio
Constant	9.14	37.99	0.24 NS
EXPER	2.60	4.03	0.65 NS
AREA	0.11	0.07	-1.58***
EDU	-9.75	30.80	-0.32 NS
LABOUR	0.82	0.55	1.48 NS
QUAN	0.01	0.00	2.09**
REV	0.55	0.05	11.80*
INVES	0.51	0.05	-10.12*
EQUI	0.07	0.03	2.15**

Source: Survey results

*F=86. 4, number of observations (N) = 120, Multiple R = 0.92825; R-squared =0. 861647;Adjusted R-square =0. 851676, significance level=0. 0000, *, ** and *** represents a significant level at 1%, 5%, and 10% probability level, respectively.*

All these five variables: area of production (AREA), quantity of production (QUAN), investment of the young businesses (INVES), owner equity (EQUI), and revenue of the young businesses (REV) had positive effects on the young businesses' profit, and thus effects on young businesses' efficiency and found to be significant at suitable probability level. The positive relation between the variables indicates that any additional area of production, quantity of production, investment of the young businesses, owner equity, and revenue of the young businesses enables the young businesses' profit and efficiency increase. In which, investment capital and revenue had the highest impacts on the young businesses' performance and efficiency.

4. CONCLUSION AND RECOMMENDATION

The study results showed that performance of young art furniture businesses were quite high and stable in comparison to the two remaining sectors. The performance of young textile businesses tended to decrease due to the high competition in the market while those numbers of young iron and steel businesses were quite high, but was not stable.

There were five factors affecting the young businesses' profits. They included the area of production, quantity of production, investment of the young businesses, equity capity, and revenue of the young businesses. All of these factors hadthepositive impact on the young businesses' profit, and thus impact on young businesses' efficiency and found to be significant at suitable probability levels.

In order to improve the performance of the young businesses, it it necessary to enlarge the area of production, increase the quantity of production, expand the investment in the production and owner equity, and promote the sales of products to enhance the revenue of the young businesses.

REFERENCES

Nguyen ThiHaiNinh (2012), Small and Medium businesses in Vietnam in the global economic crisis.Master thesis of Hanoi National University, Vietnam.

Tran Hoang Long (2013), Research the impact of expanding payment time and reducing corporate income tax policy on the performance and efficiency of small and medium size enterprises in Tu Son district, BacNinh province of Vietnam. Master thesis of Vietnam National University of Agriculture, Vietnam.

Trinh Thi Thu Phuong (2014), Development of traditional villages in Tu Son district, BacNinh province, Master thesis of Economics University, Hanoi National University, Vietnam.

Duong Thanh Van (2013), Sustainable development of Dong Ky art furniture Village in Tu Son district, BacNinhprovince, Master thesis of Economics University, Hanoi National University, Vietnam.

Statistical office of Tu Son district (SOTS) (2015), Bac Ninh province, Annual Report on Statistic data, Vietnam.

Cite this Article: Bui Thi Nga (2016). Performance of Young Businesses in Vietnam and Its Affecting Factors: Anempirical Study in Tu Son District, BacNinh Province. Greener Journal of Business and Management, 6(2):050-056, http://doi.org/10.15580/GJBMS.2016.2.052016093