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Microfinance Promotes Development of Vietnamese Small Enterprises

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ABSTRACT

Microfinance is a tool to promote the development of small enterprises, helping them overcome initial financial difficulties with loans - financial support, with easy conditions and other non-financial support such as consulting, training, technical support to develop production and business. This study analyzes microfinance in the role of promoting the development of small enterprises in the form of financial support and non-financial support. Based on the theoretical framework developed, the author surveyed 300 managers of 150 small enterprises in 3 provinces of Vietnam, including Lang Son province (North), Quang Ngai province (Central), Tay Ninh province (South). The research results show that microfinance promotes the development of small enterprises in Vietnam, but mainly financial support, limited in the aspect of non-financial support, while non-financial support has a long-term impact, realizing the strategic goals of small enterprises. From the research conclusion, the author discusses policy solutions to promote the overall role of microfinance for the sustainable development of small enterprises.

Keywords: Microfinance; Small Enterprises; Financial Support; Non-Financial Support; Vietnam.

INTRODUCTION

Vietnam is a Southeast Asian country that started out as a poor country, but has developed strongly in the past decade with a high economic growth rate, in which there is a significant contribution from small enterprises. According to statistics in 2025, small and medium enterprises in Vietnam account for nearly 98% of the total number of enterprises operating in the economy (IN, 2025). Small enterprises make important contributions to the production of goods, creating jobs and increasing income for people, especially low-income groups; however, small enterprises still face many challenges in the development process, such as difficulty in accessing capital from formal financial institutions - banks, due to high requirements on collateral and credit records.

Developing small and medium-sized enterprises is identified as a long-term, consistent and continuous strategy in the action program of the Vietnamese Government, a key task in the country's economic development policy. Among the economic solutions implemented by the Government, microfinance solutions play a useful role, helping small businesses easily access capital, technology, management capacity, markets, etc. Microfinance institutions are created with a development mechanism and perform financial support functions (credit lending) and non-financial support (training, management consulting, market connection, etc.), helping small businesses improve their capacity and develop sustainably. Practice in Vietnam shows that more than 60% of small businesses successfully access microfinance services, helping them improve their operational efficiency and ability to expand production and business scale (VMWG, 2022).

In practice, microfinance has demonstrated its important role and influence on the development of small enterprises, but it still needs to be studied more deeply. Because, in the face of new social and technological trends, small enterprises in Vietnam still face many barriers to development when they are still limited in management capacity and scale of production and business development; support from microfinance organizations is always necessary in both financial and non-financial support. This attracts the author's attention when conducting research on microfinance, analyzing more deeply the impacts of microfinance on small enterprise development, thereby discussing related policy issues in Vietnam.

LITERATURE REVIEW

In common understanding, microfinance is a form of financial and non-financial service provision designed to target customers who are mainly poor and small enterprises who are not eligible to access financial services from formal providers such as traditional banks. According to Tinh (2023), microfinance organizations are formed with the goal of helping disadvantaged groups in society access financial services, training services, employment services, etc. with the goal of eliminating hunger and reducing poverty, improving the quality of life of people. Microfinance products are also quite diverse, including small loans, insurance, savings, money transfers with flexibility and ease of access, without high requirements for collateral; designed with the goal of promoting economic development, reducing poverty through programs to support the poor, small enterprises - subjects that have difficulty accessing banking financial services (Yunus, 2007).

Many recent studies emphasize the role of microfinance in the development of small enterprises. Accordingly, microfinance helps enterprises proactively raise capital for development (Nguyen, et al., 2019); helps enterprises grasp market information, proactively connect, manage, and cooperate for development (Gonzalez, et al., 2014); ILO, 2020); helps enterprises proactively manage resources, jobs, income, and stabilize development (Truong, et al., 2020; Pham, et al., 2021). These contents are explained in detail, helping to clearly identify the role of microfinance in the development of small enterprises. Based on the above research results, the scale "Small Enterprise Development" (SED) built in this study includes the following content aspects: Small enterprises are supported with credit, overcome financial shortages, create conditions for production and business development (SED1); Small enterprises are supported in accessing techniques, technology, markets and linking production and business development (SED2); Small enterprises are supported in improving management capacity, ensuring resources, expanding markets, creating more jobs, income and stable development (SED3).

Researching on the content of microfinance, experts explain in detail that microfinance does not simply provide capital (financial support) but also enhances the capacity of small enterprises through consulting services, training and technical support, improving production and business management capacity (non-financial support). Small enterprises can use microfinance support to invest in equipment, improve production processes or expand business scale, thereby increasing productivity and competitiveness. The impact of microfinance on business development is explained below.

- Firstly, microfinance helps small enterprises grow rapidly thanks to financial support with flexible and accessible capital provision: Small enterprises have favorable and equal conditions when accessing credit loans (Gonzalez, et al., 2014), credit loans with appropriate development scale (Biggs, et al., 2006), simple credit loan procedures, no high requirements for asset mortgage (Beck, et al., 2006). Financial support is the main direct policy tool, clearly demonstrating the role of microfinance in the development of small enterprises. The scale "Financial Support" (FS) is built in this study on the basis of inheriting the studies of Beck, et al. (2006), Biggs, et al. (2006), Gonzalez, et al. (2014), implying the following contents: Small enterprises have favorable and equal conditions when accessing credit loans for production and business (FS1); Small enterprises have access to and support for credit loans with appropriate scale of production and business development (FS2); Small enterprises are supported for credit loans with simple procedures, without high requirements for asset mortgage (FS3).

- Second, microfinance helps small enterprises develop and achieve long-term goals through non-financial support policy tools by providing management skills training support services (Gonzalez, et al., 2014); technical and technological support (ADB, 2019; ILO, 2020); market connection support (Pham, et al., 2020). The scale "Non-financial Support" (NF) is built in this study on the basis of inheriting the studies of Gonzalez, et al. (2014), ADB (2019), ILO (2020), Pham, et al. (2020), implying the following contents: Small enterprises are supported in training to improve production and business management capacity when participating in credit loans (NF1); Small enterprises are supported in production and business technology and techniques when participating in credit loans (NF2); Small enterprises are supported to connect to the market and cooperate in business when participating in credit loans (NF3).

Small enterprises have access to credit, financial and non-financial support in a timely manner, appropriate to the scale and field of production and business, will be a great driving force, a decisive factor for small enterprises to be able to maintain and develop in the long term. Credit loans help small enterprises maintain operations and expand production scale; technical, technological, administrative, market access support... help small enterprises

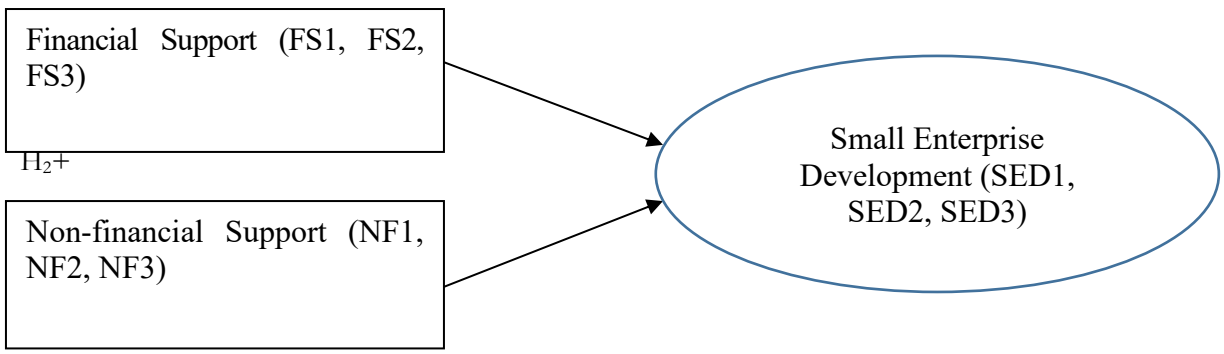
strengthen their production and business management capacity and develop sustainably. From there, small enterprises have conditions to develop, create jobs and stabilize income for workers, help develop the local economy and reduce poverty. With that meaning, the hypothesis for this study is: Microfinance with financial support tools (H1) and Non-financial support (H2) have a positive impact on the development of small enterprises in Vietnam.

Table 1. Theoretical framework

No	Scales	Encode	Rating levels 1	2	3	4	5
I	**Financial Support**	**FS**					
1	Small enterprises have favorable and equal conditions when accessing credit loans for production and business	FS1					
2	Small enterprises have access to and support for credit loans with appropriate scale of production and business development	FS2					
3	Small enterprises are supported for credit loans with simple procedures, without high requirements for asset mortgage	FS3					
II	**Non-financial Support**	**NF**					
4	Small enterprises are supported in training to improve production and business management capacity when participating in credit loans	NF1					
5	Small enterprises are supported in production and business technology and techniques when participating in credit loans	NF2					
6	Small enterprises are supported to connect to the market and cooperate in business when participating in credit loans	NF3					
III	**Small Enterprise Development**	**SED**					
7	Small enterprises are supported with credit, overcome financial shortages, create conditions for production and business development	SED1					
8	Small enterprises are supported in accessing techniques, technology, markets and linking production and business development	SED2					
9	Small enterprises are supported in improving management capacity, ensuring resources, expanding markets, creating more jobs, income and stable development	SED3					

Source: Compiled by the author through the review

Research Model



Through the research overview, the author has built a theoretical framework to study the impact of microfinance on small enterprise development. The theoretical research model includes 3 scales and 9 observed variables (Figure 1). The author designed a survey form with 9 questions according to these 9 observed variables and measured by a 5-level Likert scale: 1 - Strongly disagree; 2 - Disagree; 3 - No opinion; 4 - Agree; 5 - Strongly

agree (Table 1). The survey was conducted according to scientific procedures and methods, which are explained below.

Research Methods

The author uses qualitative and quantitative methods to achieve the research objectives. Qualitative research is conducted through collecting and analyzing secondary data to build a theoretical model. Quantitative research is conducted through collecting and analyzing primary data using survey forms to test hypotheses and test theoretical models. The survey is conducted in two steps: Preliminary survey and official survey..

Preliminary survey: The theoretical model was built with 3 scales and 9 observed variables. The author conducted exploratory factor analysis and regression analysis to test the suitability of the theoretical model and test the research hypothesis. According to Hair et al. (2009), the minimum sample size required for factor analysis and regression analysis for a model of 3 scales and 9 observed variables is N = 9*5 = 45. The author conducted a preliminary survey with a sample size of N = 100 small enterprise managers in Lang Son province (N > 45). The results of the preliminary survey in Lang Son province showed that the 3 scales and 9 observed variables were reliable enough to be used in an official survey on a larger scale.

Official survey: The author conducted an official survey with a sample size of N = 300 managers of 150 small enterprises in 3 provinces of Vietnam, including Lang Son province (North), Quang Ngai province (Central), Tay Ninh province (South); N > 45, ensuring reliability when conducting survey research. The survey was conducted selectively; the small enterprises selected for the survey were those that received microfinance support for production and business in the past 3 years. The author conducted preliminary interviews to capture information and distributed survey forms based on the respondents' consent to answer. The survey results collected 300/300 valid forms, achieving a response rate of 100%.

RESEARCH RESULTS AND DISCUSSION

From the collected survey data, the author tested the reliability of the scales and observed variables in the theoretical research model. The test results showed that all 3 scales and 9 observed variables were reliable when meeting the standard conditions of Hair et al. (2009): Cronbach'alpha > 0.6; Corrected Item-Total Correlation > 0.3, shown in Table 2 below.

Table 2. Statistical results and testing results of the scale

Scales	Observed variables	N	Min	Max	Mean	Std. Deviation	Cronbach' Alpha	Corrected Item-Total Correlation
1. Financial Support (FS)	FS1	300	1	5	4.24	.565	.732	FS1 = .609
	FS2	300	1	5	4.23	.551		FS2 = .589
	FS3	300	1	5	4.17	.558		FS3 = .611
2. Non-financial Support (NF)	NF1	300	1	5	4.04	.594	.667	NF1 = .453
	NF2	300	1	5	3.97	.606		NF2 = .489
	NF3	300	1	5	3.95	.641		NF3 = .377
3. Small Enterprise Development (SED)	SED1	300	1	5	4.11	.577	.684	SED1 = .463
	SED2	300	1	5	3.99	.603		SED2 = .347
	SED3	300	1	5	4.05	.588		SED3 = .376
Valid N (listwise)		300						

Source: Author's survey results

Data in Table 2 shows that observations on the scales "Financial Support" (FS), "Non-financial Support" (NF), "Small Enterprise Development" (SED) are all rated at an average level of Mean ≥ 3.95, statistically significant according to the Likert scale (1-5) determined. Vietnamese small business managers all affirm the role of microfinance in business development. In general, microfinance tools support small businesses to overcome financial shortages, creating conditions for small businesses to develop production and business: Small businesses have favorable conditions, equality when accessing credit loans; access and support for credit loans with appropriate production and business development scale with simple procedures, without high requirements for collateral. At the same time, support small businesses to increase their access to technology, management capacity, market access, etc. to develop production and business.

In specific aspects, among the above scales, the observed variables of the "Non-financial Support" (NF) scale were assessed at the lowest level with Mean (NF1) = 4.04, Mean (NF2) = 3.97, Mean (NF3) = 3.95, showing that small enterprise managers assessed that non-financial support from microfinance institutions was rarely implemented. In practice, small enterprises often have a direct need for loans, so microfinance support often meets

the short-term borrowing needs of small enterprises and has immediate financial support value for small enterprises to invest in production and business. However, in terms of strategic management, each small enterprise needs to develop long-term goals and programs and is in great need of non-financial support such as techniques, technology, administration, market access, etc. for sustainable development. Therefore, microfinance development with financial and non-financial support for small enterprises also needs to be carried out in parallel for sustainable development, becoming an important policy tool to promote small enterprise development, contributing to production and contributing to local and national economic development.

The scales and observed variables that have achieved reliability are the basis for the author to conduct exploratory factor analysis to verify the theoretical model of the research. Exploratory factor analysis with Varimax rotation is performed to preliminarily assess the unidimensionality, convergent value, and discriminant value of the scales to have more basis for drawing research conclusions about the suitability of the initial theoretical model. The results of exploratory factor analysis are shown in Table 3 and Table 4 below.

Table 3. Total Variance Explained

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.761
Bartlett's Test of Sphericity	Approx. Chi-Square	1985.887
	df	36
	Sig.	.000

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.602	40.021	40.021	3.602	40.021	40.021	2.779	30.876	30.876
2	2.884	32.039	72.061	2.884	32.039	72.061	2.677	29.741	60.616
3	1.107	12.302	84.362	1.107	12.302	84.362	2.137	23.746	84.362
4	.482	5.355	89.717						
5	.375	4.165	93.882						
6	.198	2.197	96.079						
7	.174	1.928	98.008						
8	.122	1.355	99.363						
9	.057	.637	100.000						

Extraction Method: Principal Component Analysis.

Source: Author's survey results

Table 4. Rotated Component Matrix

Rotated Component Matrix[a]

Scales	Observed variables	Component 1	2	3
1. Financial Support (FS)	FS1	.812		
	FS2	.788		
	FS3	.782		
2 Non-financial Support (NF)	NF1		.794	
	NF2		.778	
	NF3		.767	
3. Small Enterprise Development (SED)	SED1			.802
	SED2			.814
	SED3			.789

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in 5 iterations.

Source: Author's survey results

According to Hair et al. (2009), exploratory factor analysis was performed in accordance with the data set through the values: 0.5 ≤ KMO ≤ 1; Bartlett's test has an observed significance level Sig. < 0.05; Eigenvalue ≥ 1; Total Variance Explained ≥ 50% and Factor Loading ≥ 0.5.

The results of the exploratory factor analysis confirmed the suitability of the data set with the initial research model, shown through the KMO coefficient = 0.761 > 0.5; the observed variables have a linear correlation with the representative factor, shown through Bartlett's Test with the observed significance level Sig. = 0.000 < 0.05. Total Variance Explained with Cumulative % = 84.362% > 50%, showing that the observed variables explain 84.362% of the variation of the representative factors (Table 3); the observed variables have good statistical significance, have a close relationship with the representative factor, with Factor Loading > 0.5 (Table 4).

The results of the exploratory factor analysis in Table 3 and Table 4 also show that 9 observed variables are extracted into 03 factors corresponding to 03 initial factors with Eigenvalues > 1; affirming that the theoretical research model initially built is suitable, feasible when implementing empirical research and is maintained, including: 02 independent variables "Financial Support" (FS), "Non-financial Support" (NF) and 01 dependent variable "Small Enterprise Development" (SED) with a total of 9 observed variables with good statistical significance, it is possible to perform multivariate regression analysis to examine the relationship of independent variables with dependent variables in the research model. The results of the regression analysis are shown in Table 5 below.

Table 5. Multivariate regression results

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.	VIF
1	(Constant)	1.183	.332		11.528	.000	
	Financial Support (FS)	.625	.318	.558	9.585	.000	1.849
	Non-financial Support (NF)	.475	.246	.437	8.635	.000	1.756

Dependent Variable: Small Enterprise Development (SED)

R Square = .739; Durbin-Watson = 2.103

Source: Author's survey results

The data in Table 5 shows that:

+ R Square = 0.739, confirming that the scales "Financial Support" (FS), "Non-financial Support" (NF) explain 73.9% of the variation in the scale "Small Enterprise Development" (SED); VIF = 1.849 and VIF = 1.756 (1 < VIF < 2), showing that the regression model does not have multicollinearity; Durbin-Watson = 2.103 (1 < d < 3), showing that the regression model does not have autocorrelation, confirming that the scales "Financial Support" (FS), "Non-financial Support" (NF) are independent and have the same impact on the scale "Small Enterprise Development" (SED), confirming the suitability of the theoretical research model with the survey data set.

+ The regression coefficients of the two independent variables "Financial Support" (FS), "Non-financial Support" (NF) are both statistically significant Sig. = 0.000 (Sig. < 0.05) and have positive values: B(FS) = 0.625, B(NF) = 0.475, confirming the positive relationship between the two independent variables "Financial Support" (FS), "Non-financial Support" (NF) and 01 dependent variable "Small Enterprise Development" (SED); hypotheses H1, H2 are accepted; the initial research model continues to be confirmed to be appropriate.

Based on the generalized regression model of Hair, et al. (2009): Y = Bo + B1*X1 + B2*X2 + … + Bi*Xi + e, the author determined the multivariate regression model of this study as follows: SED = 1.183 + 0.625*FS + 0.475*NF

Based on the regression coefficient (B), it can be seen that the correlation level of the independent variables and the dependent variable in decreasing order is: "Financial Support" (FS), "Non-financial Support" (NF). That contributes to further confirming the empirical research results, that microfinance promotes the development of small enterprises in Vietnam through financial support and non-financial support, but mainly financial support, limited in the aspect of non-financial support, while non-financial support has a long-term impact, realizing the strategic goals of small enterprises.

Practice in Vietnam shows that small enterprises often have direct demand for loans, so microfinance support often meets the short-term loan needs of small enterprises and has immediate financial support value for small enterprises to invest in production and business. However, to achieve strategic goals, each small enterprise needs to develop a long-term action program and is in great need of non-financial support such as techniques, technology, management, market access, etc. Therefore, developing microfinance with financial and non-financial support for small enterprises also needs to be carried out in parallel for sustainable development, becoming an important policy tool to promote small enterprise development, contributing to production and contributing to local and national

economic development. From the results of this study, the author discusses policy solutions to promote the role of microfinance in the sustainable development of small enterprises:

Firstly, in terms of financial support, localities need to organize the provision of financial services in a more flexible manner with the active participation of commercial banks. Accordingly, commercial banks participate in this process with simple procedures and reduce the level of collateral requirements, because small businesses often have limited capital and small production scale.

Second, in terms of non-financial support, localities need to diversify products to serve the different needs of small enterprises; help small enterprises access new techniques and technologies to apply in production and business; help small enterprises link economies, promote investment and cooperate to expand markets, thereby improving product quality and product competitiveness in the market.

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