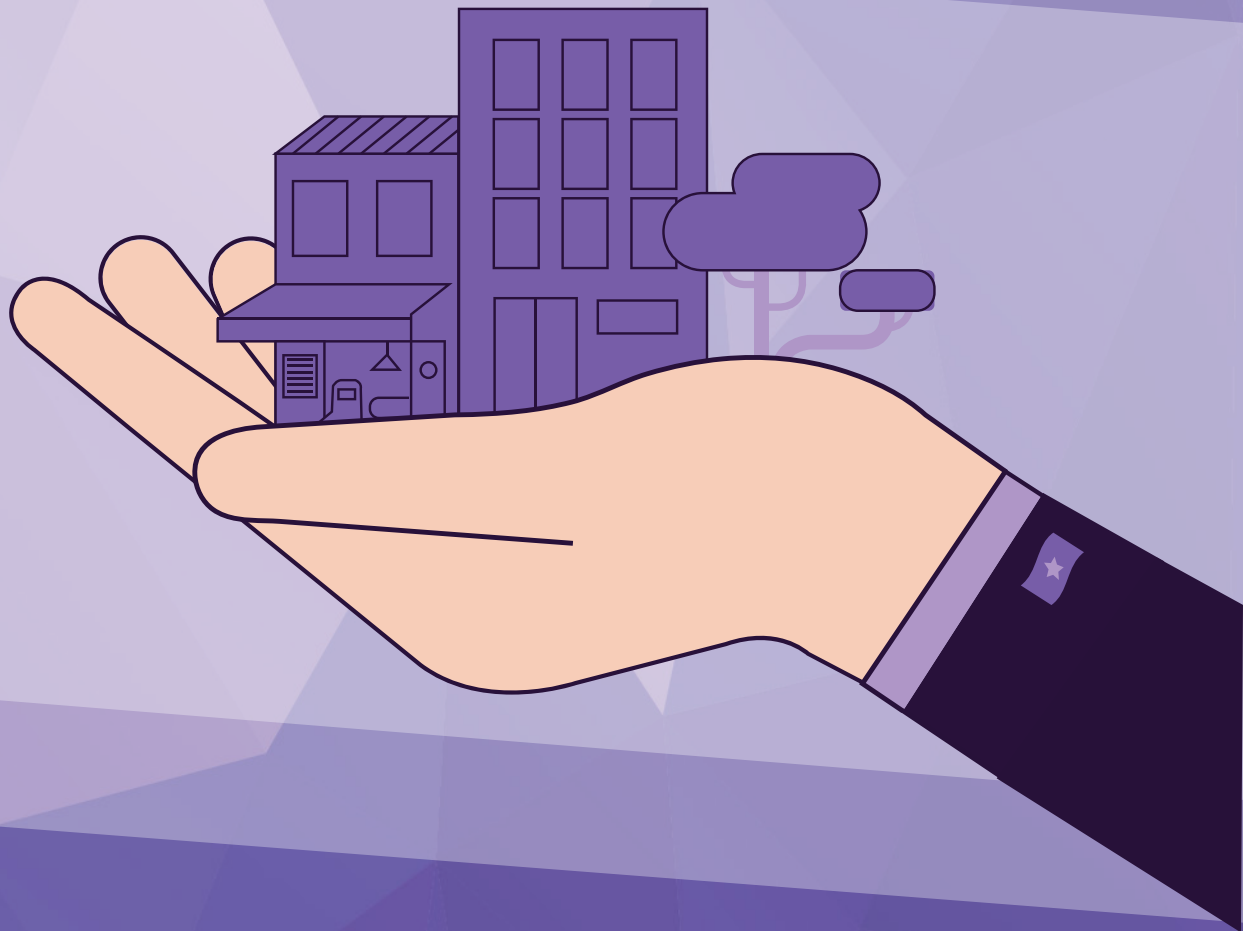


WOMEN-OWNED SMALL AND MEDIUM-SIZED ENTERPRISES IN VIET NAM: SITUATION ANALYSIS AND POLICY RECOMMENDATIONS





WOMEN-OWNED SMALL AND MEDIUM-SIZED ENTERPRISES IN VIET NAM: SITUATION ANALYSIS AND POLICY RECOMMENDATIONS

Hanoi September 2016

The views expressed in this report are those of the authors and do not necessarily reflect the views and policies of the Asian Development Bank (ADB) and the Government of Australia as well as its Board of Governors and the Governments represented by them.

ADB and the Government of Australia do not guarantee the accuracy of the data included in this report and accepts no responsibility for any consequence of their use. The mention of specific companies or products of manufacturers does not imply that they are endorsed or recommended by ADB and the Government of Australia in preference to others of a similar nature that are not mentioned.

By making any designation of or reference to a particular territory or geographic area, or by using the term “country” in this document, ADB and the Government of Australia does not intend to make any judgments as to the legal or other status of any territory or area.

CONTENTS

Contents	i
List of Tables and Annex	ii
Acknowledgements	1
Executive Summary	2
1. Introduction	6
2. Research objectives and methodology	8
2.1. Research objectives	8
2.2. Research methodology	8
3. Women-owned SMEs in Viet Nam	10
3.1. Definition of SMEs	10
3.2 Women-owned SMEs	11
3.3. Roles and characteristics of women-owned SMEs	14
3.4. The key barriers of women-owned SMEs	19
3.5. Legal framework and implementation of women-owned SME policy	22
3.6. General remarks about women-owned SMEs in Viet Nam	25
4. Policy recommendations	27
4.1. The basis for recommendations	27
4.2. Policy recommendations	29
References	32
Annexes	34

TABLES AND ANNEXES

Table 1: Small and medium-sized enterprise classifications according to Decree 56/2009/ND-CP _____	11
Table 2: Examples of women-owned enterprise definitions _____	13
Table 3: Women-owned SMEs in Viet Nam by scale and sector, 2013 _____	15
Table 4: Indicators comparing SMEs managed by men and women, 2013 _____	17
Table 5: Efficient indicators comparing SMEs managed by men and women, 2013 _____	18
Annex 1: Number of women-owned SMEs in Viet Nam by sector and scale, 2013 _____	34
Annex 2: Women-owned SMEs ratio by sector, 2013 _____	35
Annex 3: List of interviewing organizations _____	35
Annex 4: List of reviewing legal documents _____	36
Annex 5: List of legal documents reviewed for this study _____	37

ACKNOWLEDGEMENTS

This study was undertaken at the request of the Mekong Business Initiative (MBI) of the Asian Development Bank (ADB) and the Hanoi Women's Association of Small and Medium Enterprises (HAWASME).

The study was led by Mr. Le Quang Canh and Mr. Nguyen Vu Hung of the National Economic University of Viet Nam. Madame Nguyen Thi Dieu Hong, a gender equality expert, and a former staff member of the Ministry of Labor, War Invalids, and Social Affairs (MOLISA), reviewed government policy and law and gender specialists, Ms. Froniga Greig and Ms. Kiesha Haughton Smoots, were the peer reviewers.

The study team would like to especially thank the MBI's project officers, Ms. Tu Thu Hien and Ms. Ngo Hong Diep for their support, facilitation, and ideas provided over the course of the study, as well as the Hanoi Women's Association of SMEs, Ho Chi Minh City Association of Women Executives and Entrepreneurs, and Can Tho Women's Business Association for arranging the interviews and group discussions with women business owners in their area.

Special thanks go as well to all the women business owners who participated in the study's interviews and group discussions for their invaluable contribution.

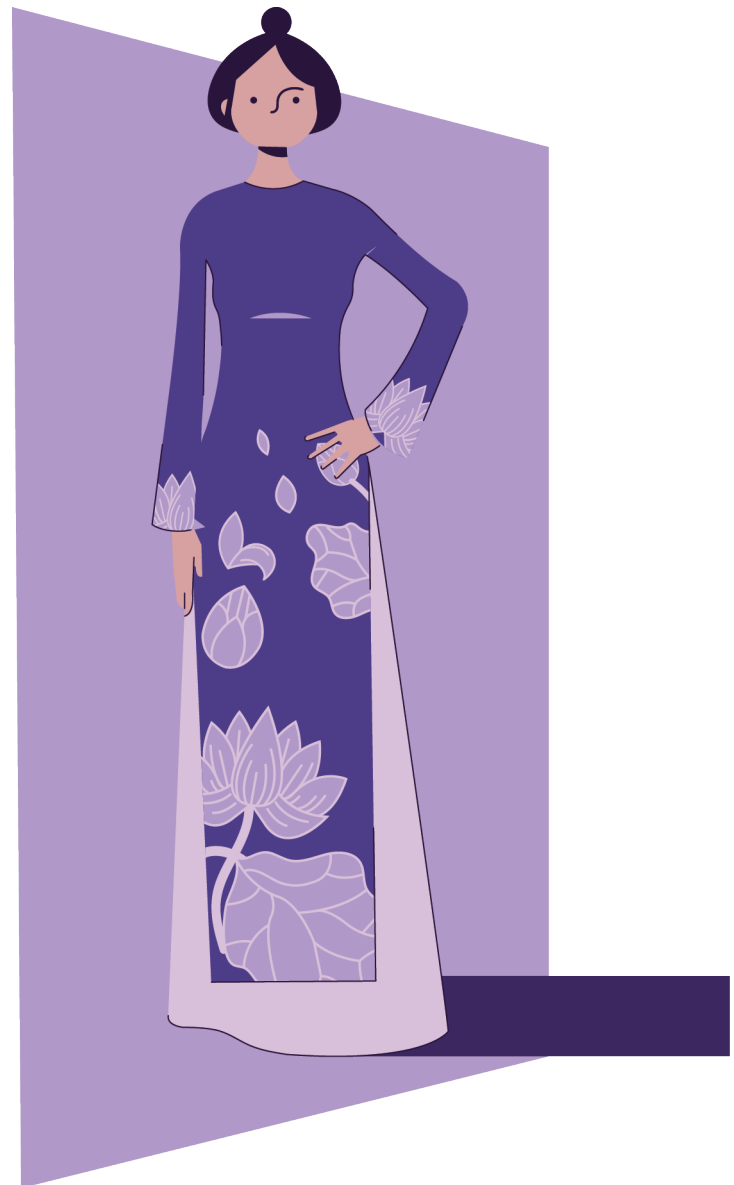
EXECUTIVE SUMMARY

This report presents the results of a study on women-owned SMEs in Viet Nam, which was conducted to provide policy recommendations on the support needed for women's enterprises in Viet Nam. The findings and recommendations of this study are based on two sources: (i) interviews and group discussions with women business owners, and policy workshops on women-owned and female, labor-intensive small and medium-sized enterprises (SMEs); and (ii) the results of the enterprise survey conducted by the government's General Statistics Office (GSO 2014).

The findings and recommendations of this study are as follows:

- **Although women-owned SMEs are supposed to be supported by the government in Viet Nam, there is no official definition of a woman-owned SME in any government policy.** For government agencies at all levels, this leads to difficulties in identifying which businesses are eligible for support, and this is also an obstacle to developing effective policies for supporting women-owned enterprises in order to achieve

the objectives of the National Gender Equality Strategy 2011–2020.



● **Women-owned SMEs in Viet Nam are primarily micro and small enterprises and operate mainly in the services sector.** In total, 98.8% of women's enterprises are micro and small enterprises, and 61.4% operate in the services sector. These characteristics are the same for women-owned SMEs in other countries (IFC 2014), and they suggest that there are considerable disadvantages facing women-owned enterprises, and that they need special support.

● **Women-owned SMEs play an important role in Viet Nam's socio-economic development.** Women-owned SMEs comprise 25% of the total number of active SMEs in Viet Nam, which is a higher percentage than in other countries in South Asia, the Middle East, North Africa, and Sub-Saharan Africa. Women-owned SMEs in Viet Nam (i) operate mainly in the services sector (61.4%), which is a more "green" (environmentally friendly) area of the economy; (ii) employ a higher percentage of female workers than is the case with SMEs owned by men (43.4% vs. 36%); (iii) spend less per individual worker on wages than is the case with SMEs owned by men (1.2 billion VND vs. 1.7 billion VND/

worker); (iv) contribute slightly more to the national budget in taxes per worker than is the case with SMEs owned by men (24.9 million VND vs. 24.2 million VND/worker/year); and (v) spend slightly more on social insurance than is the case with SMEs owned by men (social insurance contribution: 36% vs.35%).

● **A policy to provide support to women-owned SMEs has been issued by the government, but it has not been implemented.** Decree 56/2009/ND-CP on SME development support mentions women-owned SMEs, and the National Gender Equality Strategy for 2011–2020 also mentions support to women-owned SMEs; however, these policies have not been implemented in practice because: (i) there is no official regulation that defines a women-owned SME; and (ii) the agencies responsible for guiding policy implementation think that women entrepreneurs are the same as all workers who are subject to the Labor Code and other legal provisions, and as owners of SMEs, women benefit from the same SME policies as men. Thus, no special support for women-owned SMEs has been seen as necessary.

● **Women-owned SMEs still encounter many obstacles in developing their enterprise.** The obstacles commonly identified by women entrepreneurs are lack of knowledge, market information, trade promotion, resources, and opportunities to network for business development. For example, 55% of women business owners state that they need training and other support to develop their knowledge (IFC 2006), and 33.8% of the women owners of SMEs have a college education or less (GSO 2014). In addition, women entrepreneurs have other issues such as balancing work and taking care of their family. Meeting family needs can take a great deal of a woman entrepreneur's

time, which is a limitation for women in building their business, and their business network.

● **The role played by women entrepreneurs' associations in supporting the development of women-owned SMEs is still very limited.** Women entrepreneurs' associations have not yet been recognized by government as one of the official channels for collecting or disseminating information, and so have not been consulted in building support programs. Enhancing the capacity of the women entrepreneurs' associations is necessary so that they can promote the development of women-owned SMEs.

Based on studies on gender and development, other literature on women's SMEs, and current laws, this study makes the following recommendations:

First, there should be an official regulation that defines a woman-owned SME in order to serve as the basis for development and enforcement of a support policy. For example, the International Finance Corporation (IFC) defines women-owned enterprises as enterprises with women-owned capital of at least 26%, and managed on a day-to-day basis by women.

Second, women-owned SMEs should

be stipulated specifically as entitled to support under the SME Support Law. Only if specified in law, will policies to support women's SMEs be clear and well targeted.

Third, it is necessary to earmark support in SME programs specifically for women-owned SMEs. Programs that help business start-ups, as well as existing SMEs, should follow the principle of allocating a specific

percentage of their funds and other resources to women-owned SMEs.

Fourth, strengthen the role of women entrepreneurs' associations. Businesswomen's organizations should be supported to become an effective bridge in implementing state assistance to women-owned SMEs.

Fifth, honor and recognize the contributions of women-owned SMEs. The state should periodically recognize the important contribution that women-owned SME make to economic and social development, as well as toward achieving the gender equality goals set by the Government of Viet Nam.

Sixth, educate young people about the role of women entrepreneurs as well as the importance of sharing the household burden with them. This is a long-term solution that needs to be implemented as soon as possible. Schools and society should educate children (and especially boys) so that they have the right attitude about sharing the burden of family responsibilities with women, and also so a new generation of women entrepreneurs develops who have adequate qualifications, knowledge, and skills, as well as a cultural environment that does not discriminate against women entrepreneurs.



How Can Viet Nam Support Women-Owned SMEs?

- Define women-owned SMEs under Viet Nam law so they can be targeted with government support
- Provide training and informational resources
- Facilitate borrowing
- Support in trade promotion
- Honor womens' contributions
- Strengthen Women Entrepreneur Association



1. INTRODUCTION

Women-owned small and medium-sized enterprises (SMEs) have been contributing significantly to economic growth in countries around the world. Recent studies show that women-owned enterprises tend to grow faster than those of men, and comprise an increasingly larger percentage of SMEs (IFC 2012; USDS and ESA 2010). According to Global Entrepreneurship Monitor (2012), 6.3% of working-age women worldwide participate in the management of businesses, while women manage 19% of SMEs (BIS 2013). According to an estimate by the International Finance Corporation (IFC 2011), from 31% to 38% of SMEs in emerging economies are managed by women. Due to the importance of women-owned SMEs, promoting their start up and growth is now a trend across the world.

In Viet Nam, women's role in business is well recognized and women are encouraged to participate in economic activities through enterprise support policies, and especially those policies that concern SMEs and women workers. Since 2006, the Gender Equality Law

No.73/2006/QH11 has specified that gender equality provisions must be integrated in legal documents. In 2009, Decree No.56/2009/ND-CP also mentioned support to women-owned SMEs. These policies have helped to raise awareness about the importance of women-owned SMEs in Viet Nam.

Women-owned SMEs in Viet Nam play an important role in creating employment and income for workers, in reducing poverty, and in promoting economic growth. Women's enterprises not only contribute to economic growth, but also help to improve women's status in society; they promote investment in the health and education of children, and especially of girls; and ultimately these enterprises increase the prospects for greater economic growth in the future (Todaro and Smith 2014). In addition, the participation of women in economic activities promotes gender equality. In all these ways, the development of women-owned SMEs contributes to promoting economic and social development, and the achievement of Viet Nam's Sustainable Development Goals.

Despite their contributions to economic and social development, women-owned SMEs face disadvantages compared to the SMEs led by men, and, as a consequence, this reduces their contribution on economic growth as well as social development. For example, businesswomen often lack business skills and the ability to access resources and markets; they face prejudices; and they bare a greater share family responsibilities compared to men, and consequently have less time to devote to networking, training, and other activities that would help their

businesses to grow (IFC 2011; OECD 2014; Global Entrepreneurship Monitor 2012; IFC 2014b). This leads to the question—how can the government help to counter the disadvantages facing women-owned SMEs, and thereby enable them to fulfill their potential in contributing to economic and social development? This study addresses this question and provides policy makers with further empirical evidence so that they can enact appropriate policies to counter the disadvantages facing women entrepreneurs and help their enterprises to fulfill their potential.

2. RESEARCH OBJECTIVES AND METHODOLOGY

2.1. Research objectives

The general objective of this study was to provide the basis for making policies that will support the development of women-owned SMEs in Viet Nam. In particular, it:

- Describes the characteristics and roles of women-owned enterprises;
- Reviews the legal framework and enforcement of policies related to women-owned SMEs; and
- Recommends realistic policies to promote the development of women-owned SMEs.

2.2. Research methodology

To achieve the research objectives above, this study used the following methodology, which has been frequently used in studies in similar contexts in Viet Nam:

- **First**, laws and other legal documents related to women-owned SMEs were reviewed: The legal expert on the research team reviewed the laws and regulations on SMEs and women-owned SMEs listed in Annex 5. This legal research provided the basis for how the study addressed the research questions.
- **Second**, in-depth interviews and focus group discussions were conducted: This research was conducted with women entrepreneurs to collect opinions and data from them. For comparison, in-depth interviews were also conducted with officers from relevant government departments and other agencies. These were 3 interviews

with ministries (1 interview each from the Social Insurance Department and the Gender Equality Department of the Ministry of Labor, Invalids and Social Affairs (MOLISA), and the Enterprise Development Department of the Ministry of Planning and Investment [MPI]); 6 interviews with relevant provincial departments and agencies, including the provincial Departments of Labor, Invalids and Social Affairs (DOLISA) and Provincial Tax Offices; 11 interviews with individual enterprise owners, and 1 focus group discussion with women entrepreneurs in each of the cities of Hanoi, Ho Chi Minh City, and Can Tho. These cities were chosen as they have a large number of women-owned SMEs, as well as businesses with a large female workforce. These cities were also chosen as the Provincial Competitiveness Indicator (PCI) for their provinces ranged from medium to good, reflecting the diversity of government services provided to enterprises (for more information see VCCI and USAID 2015).

● **Third**, comments were collected from relevant stakeholders: Comments

were collected from local authorities and synthesized prior to consulting with relevant ministries, including the Ministry of Trade and Industry (MOIT), MPI, and MOLISA. Comments and suggestions for the final report were collected as well from technical workshops held with women-owned SMEs and businesswomen's associations and clubs in nearly 20 cities and towns nationwide, and from local staff in the government departments mentioned above.

● **Fourth**, statistical data were analyzed to understand the characteristics of women-owned enterprises and provide empirical evidence for the conclusions drawn from the in-depth interviews and focus group discussions: Data used for the statistical analysis came from the annual GSO enterprise survey. Based on the qualitative research described above, and analysis of enterprise survey data, the research team developed recommendations to promote the development of women-owned SMEs so that they can achieve their potential in contributing to SME growth in Viet Nam.

3. WOMEN-OWNED SMES IN VIET NAM

3.1. Definition of SMEs

SMEs in Viet Nam are defined by two criteria: the average number of workers annually, and the total value of the enterprise's capital (or its total assets, as identified in the enterprise's balance sheet). These criteria are applied differently in the three main enterprise sectors in Viet Nam: agriculture, forestry and fisheries; industry and construction; and trade and services. Table 1 gives details on SME classifications, based on Decree No.56/2009/ND-CP.

According to the decree's classification criteria on enterprise size, SMEs include micro, small, and medium-sized enterprises. In Viet Nam, according to the GSO Enterprise Survey of 2014, SMEs accounted for 95.9% of 415,656 active enterprises. Micro, small, and medium-sized enterprises accounted for 65.2%, 29.3%, and 1.4% of

enterprises, respectively. SMEs have created jobs for 5.6 million workers, which accounts for 48.3% of total enterprise employment. Total capital for these SMEs was 7,488 trillion VND, and their annual contribution to the state's budget was about 217.5 trillion VND (GSO 2014).

Table 1: Small and medium-sized enterprise classifications: Decree No.56/2009/ND-CP

	Micro		Small		Medium
	Workers	Value	Workers	Value	Workers
Agriculture, forestry, and fisheries	Under 10 people	Under 20 billion VND	From 10-200 people	From 20-100 billion VND	From 200-300 people
Industry and construction	Under 10 people	Under 20 billion VND	From 10-200 people	From 20-100 billion VND	From 200-300 people
Trade and services	Under 10 people	Under 20 billion VND	From 10-200 people	From 20-100 billion VND	From 200-300 people

Source: Decree No. 56/2009/ND-CP

According to Decree No.56/2009/ND-CP, women-owned SMEs in Viet Nam are found in all three sizes of business. The important questions are: How are

women-owned SMEs viewed in Viet Nam; and how should the development of their enterprises be assisted?

3.2 Women-owned SMEs

Women-owned enterprises are classified differently in different countries. For example, in the United States and Canada, an enterprise is classified as women-owned if a woman or women own 51% of the business, and a woman or women manage the business on a day-to-day basis and

this is certified by an independent organization (SBA 2016). In the United Kingdom, women-owned enterprises are those that are wholly owned by a woman or women (Harding 2007). South Korea combines both of the above definitions—a women-owned enterprise is one financed by the capital

of a woman or women or managed by a woman or women, and ownership rates are regulated by government decrees (SMBA 2009).

International organizations provide different definitions. For example, according to IFC's definition, a women-owned enterprise has at least 51% of the total capital owned by a woman or women. In cases where data on female ownership or management are not available, an "expanded" definition is used: (i) an enterprise with at least 51% of the total capital owned by a woman, or (ii) an enterprise with at least 26% of the total capital owned by women, and at least one woman on the company's Board Directors as the Director or Deputy Director (IFC 2014a). In Southeast Asian countries (Cambodia, Indonesia, Myanmar, the

Philippines, and Viet Nam) as well as India, when conducting research on women-owned enterprises, they often use the definition proposed by IFC (2014a).

The World Bank, however, in its Enterprise Survey (World Bank 2015) uses two ways to identify a woman-owned enterprise: (i) an enterprise owned only by women, or (ii) an enterprise managed by women. This definition is used widely in African countries when referring to women-owned enterprises.

For research purposes, the Organisation for Economic Co-operation and Development (OECD) defines a woman-owned enterprise as one in which a woman solely owns all the assets or capital (OECD 2012).

Table 2: Examples of definitions for women-owned enterprises

Nation/Organization	Women-owned enterprise definitions
IFC	Enterprise with at least 51% of the total capital owned by women Enterprise with at least 51% of the total capital owned by women, or at least 26% of the total capital is owned by women and at least one woman participates on the Board of Directors
World Bank	Enterprise owned only by women Enterprise managed by women
OECD	Enterprise owned only by women
US and Canada	At least 51% of the enterprise is owned by women and operated on a day-to-day basis by one or more women
Korea	An enterprise with a woman's capital or managed by women, and ownership rates are regulated by government decrees.
Southeast Asia	IFC's definition above is used.
Africa	The World Bank's definition above is used.

Source: Consolidated by the research team

Studies often use the definition of women-owned enterprises that suits the context and objectives of their research. Based on the scope of this study and the data available, the research team used the World Bank's

definition—an enterprise managed by women on a day-to-day basis. Thus, if a woman is the CEO of an SME, this study considered it a women-owned SME, and applied this definition in the next section.

3.3. Roles and characteristics of women-owned SMEs

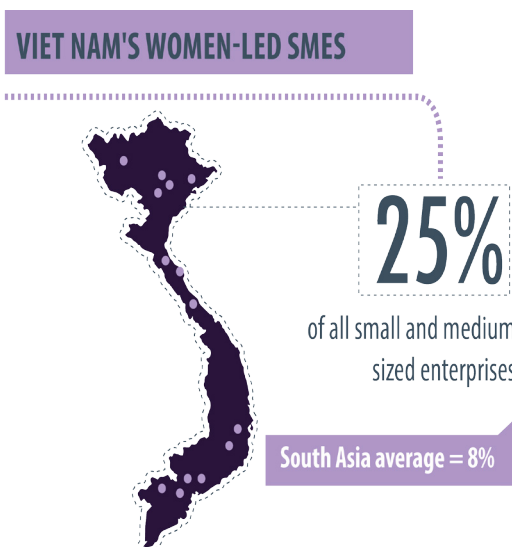
As previously stated, there is no clear definition of women-owned SMEs in Viet Nam. All of the studies on women-owned SMEs in Viet Nam have been funded by IFC, and hence have used IFC's definition. For this study, which drew on data from the GSO's annual enterprise surveys, women-owned SMEs are defined as SMEs managed by women (a woman as the managing director).

According to the GSO data for 2013, women-owned SMEs in Viet Nam accounted for 25% of the total number of SMEs, and this percentage has been rising since 2009 (9.6%¹ in 2009, 24.9% in 2011, and 25% in 2013). The notable characteristics of women-owned SMEs in Viet Nam are as follows:

- **Women-owned SMEs are almost entirely small or micro enterprises:** 98.8% of SMEs owned by women are either micro or small enterprises (72% and 27%, respectively) (See Annex 1). Looking by size of employment, women-

owned businesses tend to employ fewer staff (see Annex 2).

- **Women-owned SMEs operate mainly in the services sector:** 61.4% of women-owned SMEs are in the services sector, 37.6% are in the



¹ Note: Before 2011, a selection of enterprises was sampled. After 2011, the census included all enterprises and cooperatives. That is why there is such a big difference between the percentage for 2009 and those for the following years.

industrial sector, and just 1% are in the agricultural sector (See sub-sectors in Annex 1). In some areas of the services sector, women own more than 40% of the enterprises (see the percentages for the hotel and restaurant sector and the education sector in Annex 2).

● **The ratio of women’s enterprises declines when the scale of enterprises increases:** For example, on average across all sectors, women own 26.8% of micro-enterprises, but only 13.6% of large enterprises (Table 3).

Table 3: Women-owned SMEs in Viet Nam by scale and sector, 2013

	Micro	Small	Medium	Large	SME Average
Agriculture (%)	9,1	9,4	0,0	5,1	9,2
Industry (%)	22,0	17,8	12,8	11,2	20,2
Services (%)	30,8	28,7	24,7	17,9	30,2
Average (%)	26,8	21,4	19,8	13,6	25,0

Source: 2013 GSO Enterprise Survey

The fact that 25% of SMEs in Viet Nam are women-owned is impressive when compared with the South Asian average of only 8%. In the Middle East and North Africa, the rate is 14%, and in Sub-Saharan Africa it is 24% (IFC

2014a). In Viet Nam, the percentage of women-owned small and medium-sized enterprises is approximately two times higher than that for large enterprises.

Women-owned SMEs play an important role for the following reasons:

- The percentage of women-owned SMEs is remarkable. According to the GSO's Enterprise Survey, women-owned SMEs accounted for 25% of the 373,162 SMEs operating in Viet Nam in 2013.

VIET NAM'S WOMEN-LED SMES



Employ 43.4% women

on average vs. 36.0% by men-led SMEs.



Require VND 1.2 billion capital to create one job

vs 1.7 billion for men-led SMEs.



Provide social insurance for 35.9% of their workers

vs. 35.0% in men-led SMEs.

- Women-owned SMEs create employment more effectively than those-owned by men. In 2013, women-owned SMEs created 1.63 million jobs, accounting for 14.5% of total employment in SMEs. They also employed a total of 746,300 female workers, accounting for 15% of female workers in SMEs. Notably, although women created 14.5% of total jobs in SMEs, women-owned SMEs needed considerably less capital to create a job than was the case with SMEs owned by men (1.2 billion VND compared with 1.7 billion VND, as shown in Table 4).

- Third, women-owned SMEs have a higher percentage of female workers than SMEs owned by men. The enterprise survey in 2013 showed that 43.4% of workers in women-owned SMEs are female compared with 36% in SMEs owned by men. Creating jobs for women not only makes an economic contribution, but also helps improve gender equality, raises the status of females, and promotes investment in girls' health and education.

Table 4: Indicators comparing SMEs owned by men and women, 2013

	SMEs owned by men	SMEs owned by women	Average	Rate (%)
Total number of workers (thousand)	1626,3	9605,5	11231,8	14,5
Total number of female workers (thousand)	746,3	4216,5	4962,8	15,0
Total funds (trillion VND)	1929,1	16142,0	18071,1	10,7
Annual contribution to budget (trillion VND)	61,8	557,1	618,9	10,0
Total revenue (trillion VND)	4,8	15,1	19,9	24,2
Capital needed to create a job (billion VND)	1,2	1,7	1,6	

Source: 2013 GSO Enterprise Survey.

● **Women-owned SMEs make a positive contribution to the state budget.** Women-owned SMEs paid 61.8 trillion VND in taxes in 2013. Notably, the size of the tax payment per worker in women-owned SMEs is greater than in SMEs owned by men, and this difference is significant. In addition, women-owned SMEs in Viet Nam operate primarily in the services and trade sectors (see Table

3, Annex 3), which are “greener” (more environmentally friendly) sectors, as well as important sectors in the modern economic development structure.

● **Women-owned SMEs provide substantial income for workers.** In 2013, women’s enterprises paid 4.8 trillion VND in income to workers, accounting for 24.2% of the total income paid to workers in SMEs.

Table 5: Efficiency indicators comparing SMEs owned by men and women, 2013

	SMEs owned by men	SMEs owned by women	SMEs owned by women		
			Micro	Small	Medium
Total number of enterprises	279,938	94,221	66,821	25,278	1,125
Percentage of total enterprises	75,0	25,0	70,9	26,8	1,2
Average number of workers (thousand)	15,5	11,7	4,1	27,5	110,8
Female workers (%)	36,1	43,4	45,4	38,8	41,8
Workers with social insurance (%)	35,0	35,9	33,9	40,7	53,7
Female workers with social insurance (%)	40,0	39,6	35,8	47,7	61,6
Male workers with social insurance (%)	34,6	35,6	34,4	38,0	51,2
Annual contribution to state budget/worker (million/workers)	24,2	24,9	22,3	30,1	62,3
Workers' income (million/person/year)	53,0	51,6	50,4	54,2	61,6
Profitability of enterprise (%)	57,6	54,3	49,2	67,1	73,3

Source: 2013 GSO Enterprise Survey

● **Women-owned SMEs take responsibility and implement social welfare policies well.** For example, women-owned SMEs attract more female workers than is the case with SMEs owned by men, and the percentage of workers with paid social insurance in the women-owned SMEs is higher than the percentage in men's SMEs, although the difference is only 1%.

● **Women-owned SMEs show more integrity than men-owned businesses.** The Provincial Competitiveness Index (PCI) 2015 shows that 66.3% of men-owned businesses made informal facilitation payments, compared to 61.4% for women-owned businesses. Men-owned businesses tended to make bigger facilitation payments, with 12.3% paying more than 10% of their revenue, while the corresponding

number for women-owned businesses is 8.9% (VCCI and USAID, 2015a). Even though the difference is not large,

women-owned businesses seem to pay more attention to integrity and tend to take less risk with informal payments.

3.4. Key barriers facing women-owned SMEs

As mentioned above, women-owned SMEs play an important role in job creation, income generation, enhancement of women's social position, and gender equality. However, women-owned SMEs also face many obstacles in getting established and expanding and, as a result, men's businesses are more successful. Women-owned enterprises earn less per worker, making their enterprises less profitable than is the case with enterprises owned by men. This may indicate that women-owned SMEs face more difficulties than SMEs owned/managed by men. (See more in Table 5). Based on comments made in this study's interviews and group discussions, some of the key disadvantages that businesswomen face are as follows:

- Lack of knowledge and skills in the areas of corporate governance, human resources development, financial management, and marketing. At the start-up stage, female entrepreneurs

mainly focus on preparing to establish and operate their business. But when their business is operating, new issues come up in governance, financial management, marketing, etc., and become problems for businesswomen who lack knowledge about these aspects of business management.

What do we lack? We are managers but lack many things: corporate governance knowledge, market information, human resources, trade promotion, etc.—we lack all of these things.

(Woman business owner)

- It is difficult to access resources and markets. Women-owned SMEs are usually micro enterprises, so it is difficult for them to access loans because they often have neither collateral to pledge for a loan nor financial support from their husband and family to help them access the capital they need.

If I take the land registration certificate to the bank to borrow, they ask my husband to come and sign the document. Since he does not support me in doing business, how can I get him to sign?

(Woman business owner)

- Women have fewer chances to participate in trade promotion. Annually, only a small number of women-owned enterprises participate in government trade promotion programs at either the local or the national level. This is because women business owners have fewer relationships with other business owners, and especially with men in business. Thus, women do not hear about these business development opportunities. The Provincial Competitiveness Index (PCI) 2015 shows that 30% of women-owned businesses were not aware of the Trans Pacific Partnership (TPP) as compared with 21% for men-owned ones.

- Disadvantages in business networking and development: As Viet Nam's market economy is still at an early stage, and the environment for private enterprise is not yet well developed, opportunities for business networking are not well developed, and especially in smaller communities. Business networking is even more challenging for women due to their extra burden of family responsibilities.

Our business networking and development are not good enough. We [women entrepreneurs] cannot drink much, cannot play golf, and do not have much time for networking.

(Woman business owner)

It took nearly 3 years for me to redevelop my business network after having a baby.

(Woman business owner)

● As indicated in the interviews and groups discussions for this study, businesswomen must strike a balance between managing their business and the burden of family responsibilities, which falls mainly on their shoulders. Women also have to overcome cultural barriers that discourage women from working. Although there has been some improvement, families still prefer sons in Viet Nam, and running a business is still not considered a suitable job for a woman. Thus, women are not encouraged to set up a business, and if they do, they have less time to spend than is the case for men who own and manage a business.

We may do business successfully but if our children are bad, this is seen as our failure.
(Woman business owner)

We have to pay attention to everything from onions and fish sauce to international integration. If our family is not

harmonious, or our children misbehave, then success in business is meaningless.
(Woman business owner)

Although we manage hundreds of workers, we still have to take care of our husband and children. This is the cultural standard. If our husband does not support us, that's the end of our business.
(Woman business owner)

● Women entrepreneurs often encounter challenges in family life and in finding successors. In Vietnam, according to an unofficial estimate by VCCI, up to 70% of women entrepreneurs divorce or separate. Due to cultural barriers, gender characteristics and work requirements, girls usually do not want to inherit and succeed their mothers' businesses. Education for better awareness and sharing of family burdens will be necessary to overcome this obstacle.

3.5. Legal framework and implementation of policies for women-owned SMEs

Recognizing the contribution that women and women-owned enterprises make to socio-economic development, as well as the challenges that women may face in the process of engaging in economic activities, since the 1990s, the Government of Viet Nam has supported women-owned SMEs. The first legal document supporting the development of women-owned SMEs was Decree No.90/2001/ND-CP, which in 2001, stated that the document is “focusing on the priority to support programs for women-owned SMEs”. This was confirmed in Decree No.56/2009/ND-CP. However, so far these are the only two legal documents mentioning support to women-owned SMEs in Viet Nam. It should be noted, however that Decree 56/2009/ND-CP is being replaced by the SME Support Law, which will be submitted to the National Assembly in October 2016. Interviews with officers of concerned ministries, departments, and with women who own SMEs, indicate the following problems in fulfilling the intention of the decrees listed above:

- No official regulation defines what is meant by a women-owned enterprise. Decree No 56/2009/ND-CP provides no incentives or programs for women-owned SMEs.
- There are no guidelines for Decree No.56/2009/ND-CP related to women-owned SMEs, so it cannot be implemented. The Decree contains only one sentence related to support for women-owned SMEs: “Prioritize support programs for women-owned and female labor intensive SMEs.” Thus, government agencies do not know how to identify a women-owned SME, what the priorities should be, how to deploy support to women-owned SMEs, which agencies should be responsible for support, and where the necessary resources should come from, etc.

It is not clear how to define a ‘women-owned enterprise’. Who are the beneficiaries; what are the priorities; which agencies are responsible; where should the resources come from for

*implementation, and so on?
Since none of this is known,
how can support be provided?
(Provincial department officer)*

*What is stated in the Decree
is meaningless. The agency
responsible for management
itself doesn't know, and neither
do the enterprises.
(Provincial department officer)*

- Women SME owners themselves do not know whether they could be beneficiaries or not. Many women owners of SMEs know nothing about the two Decrees mentioned above. Although some women SME owners do know about the Decrees, they are not sure whether they are eligible for support. Women entrepreneurs' associations cannot provide information because they are not official channels for this.

*I have asked people in the
Department of Planning and
Investment, and they said there
are no guidelines. Now, I don't
know whether my enterprise is
a woman-owned SME or not.
(Woman business owner)*

*The association is aware of the
decrees and is in agreement
with their objectives; however,
the association is not an official
channel of communication about
this. (Representative of a women
entrepreneurs' association)*

- Some government officials believe that since women enterprise owners are also workers, and a women-owned SME is also an SME, therefore there is no need to prioritize support for women-owned SMEs. This is one of the reasons why there are no instructions from government to deploy incentives to support the development of women-owned SMEs in Viet Nam.

*Our opinion is that women
enterprise owners are also
female workers, as their work
is to manage a business. Also,
women-owned SMEs, like other
SMEs, enjoy incentives under
Decree 56, which is enough.
(Department head, MOLISA)*

*There are many items of priority
in the context of public expenditure
reduction. Thus supporting
women-owned enterprises will*

*have to follow those priorities
(Member of the committee
drafting the SME Support Law)*

In summary, in regard to supporting women-owned SMEs, there are two Decrees, but no definition of a “woman business owner” or guidelines for

implementing the Decrees. Although the Decrees were issued many years ago, there has been no effort to implement them. So, developing and implementing policies to support women-owned SMEs needs to take place through the process of drafting the Law on SME Support.

3.6. General remarks about women-owned SMEs in Viet Nam

Results of studies on women-owned SMEs and support policies in Viet Nam have confirmed the great potential for women's enterprises. Although there are still many issues to be resolved in order to promote the development of women-owned SMEs, doing so would increase the contribution that women's enterprises make to socio-economic development.

Group discussions and in-depth interviews on women-owned SMEs emphasized the following:

- **Women-owned SMEs in Viet Nam are mainly small or micro enterprises operating in the services sector.** These characteristics were also identified in IFC (2014) studies in other countries.

- **Women-owned SMEs play an important role in Viet Nam's socio-economic development.** This study found that women-owned SMEs account for 25% of the active SMEs in Viet Nam, a much higher percentage than in countries in South Asia, the Middle East, North Africa, and Sub-Saharan Africa. These enterprises create

jobs, generate income (and especially for female workers), contribute to the state's budget, and to economic growth. Through creating jobs for women, women-owned SMEs have helped to enhance women's social position and gender equality. In addition, women-owned SMEs implement social policies and fulfill social responsibilities better than other enterprises.

- **The policy to support women-owned SMEs has been issued, but it cannot be implemented as yet.** The policy just stipulates the need for support, generally, without guidelines for implementation. There are many reasons for this, but the two main ones are: (i) There has been no official definition of women-owned SMEs. As a result, the agency responsible for implementation does not know to whom the policy applies, how to communicate about the policy, and how to implement it. Enterprises also do not know whether they are women-owned SMEs or not. (ii) Agencies responsible for guiding policy enforcement think that there is no need to have a separate support policy for

women-owned SMEs. The reason given is that women entrepreneurs are also workers who are subject to the Labor Code and other legal provisions. In addition, women-owned SMEs are also SMEs that enjoy the same policies as other SMEs.

● **Women SME owners encounter many obstacles in developing their enterprises.** Those deficits mentioned by women entrepreneurs participating in this study include lack of: knowledge, market information, trade promotion opportunities, access to finance and other resources, and networking and other business development activities. In addition, women entrepreneurs in Viet Nam face other obstacles such as the need to strike a balance between work and family to preserve family harmony and take care of children, and this limits the time they have available

to develop their business through training, networking, and relationships with individual companies. Unless these problems are solved, women-owned SMEs will not achieve their individual potential or that of contributing to socio-economic growth.

● **The role that women entrepreneurs' associations play in supporting the development of women-owned SMEs is still limited.** These associations are not considered an official channel for disseminating information to women business owners, nor have they been consulted on the types of support programs needed for women-owned SMEs, or for SMEs in general. Further, strengthening the role of women entrepreneurs' associations will contribute to promoting the development of women's enterprises.

4. POLICY RECOMMENDATIONS ON WOMEN-OWNED SMES

4.1. The basis for policy recommendations

Women-owned SMEs have strong potential to contribute to economic growth as well as social development. Supporting the development of women-owned SMEs would reflect acknowledgement of their role in promoting gender equality in accord with international standards.

Theoretical perspective: Through women's participation in economic activities, the opportunity cost of being a housewife increases, and so does the social and economic status of women. When the social position of women improves, investments in the health and education of girls also increase. This, in turn, helps to increase the quality of human resources, and the potential for economic growth and social development.² Therefore, supporting the development of women-owned SMEs will not only help individual SMEs, but also increase their potential to contribute to socio-

economic development.

Legal perspective: Policies and regulations on gender equality in Viet Nam have been issued in accord with international conventions related to women's economic rights. These include the 1995 Beijing Declaration and Platform for Action, the Millennium Development Goals, the 1981 Convention on Elimination of all Forms of Discrimination Against Women (CEDAW), regional forums such as the ASEAN Women Entrepreneurs' Network, and the Asia-Pacific Economic Cooperation (APEC) Ministerial Meeting on SMEs and Women in 2013. The international conventions and action programs which Viet Nam has agreed to, as well as Vietnamese law and regulations are the legal basis for the recommendations in this paper on policies to support women-owned SMEs. Relevant Vietnamese legal documents are as follows:

² For more information on this, see Todaro and Smith (2014).

- The Law on Gender Equality 2006 requires measures to promote and ensure that gender equality is really achieved, and the law also requires gender mainstreaming in developing legal documents that meet gender equality goals. Gender equality in economic fields is also stipulated in this law.

- Decree No.56/2009/ND-CP will be upgraded to the SME Support Law. This Law should define women-owned SMEs clearly and propose policies to support women-owned enterprises.

- The objectives of the National Strategy on Gender Equality 2011–2020 (Decision No. 2531/QĐ-TTg of the Prime Minister, dated 24/12/2010) aimed to increase the ratio of women-owned SMEs to 30%³ by 2015, and over 35% by 2020, while also enhancing the implementation of laws and policies to promote the development of women-owned SMEs.

Practical perspective: Women-owned SMEs are an important part of Viet

Nam's enterprises, contributing actively to socio-economic development. However, women-owned SMEs currently encounter many obstacles. Some are general obstacles facing both male and female entrepreneurs, while others are specific to women entrepreneurs. Therefore, supporting women-owned SMEs to overcome the obstacles facing them will help to enhance the role and position of women-owned SMEs as well as the position of women in society, in general. A review of international experience shows that support policies for women-owned SMEs are popular. For example, up to 18 countries and the European Union have legal provisions that support women-owned SMEs.⁴ Therefore, having specific policies in Viet Nam to support women-owned SMEs is fully in line with the rest of the world.

To sum up, theory, practice, and law in Viet Nam all affirm the need to support the development of women-owned SMEs in order to enhance the role of these enterprises, women's position, gender equality, and achieve the objectives of the National Strategy on Gender Equality 2011–2020.

³ As mentioned above, in 2013, the percentage of women-owned SMEs was only 25%.

⁴ These countries include: Armenia, Bangladesh, India, Jamaica, Kenya, the Maldives, Mauritius, Namibia, Pakistan, the Philippines, Korea, Solomon Island, South Africa, Tanzania, USA, UK, Zambia, and the EU.

Thus, encouraging women-owned SMEs to develop helps to implement the government's objective of gender equality, and demonstrates that Viet

Nam's legal provisions to support women-owned SMEs are compatible with international standards.

4.2. Policy recommendations



Based on this study's evaluation of the policy and legal framework concerning support for women-owned SMEs, the authors recommend the following policies:

Define women-owned SMEs: First, as the basis for support for women-owned enterprises, the concept of “women-owned” should be clarified in relevant policies and laws. Therefore, policy makers need to study international good practice and apply this in line with what would be suitable in Viet Nam. The research team recommends that the definition of women-owned

enterprises should be: enterprises in which women own at least 26% of the invested capital and which are managed day-to-day by women. This definition is used by IFC in Viet Nam in order to avoid providing support to those enterprises that have simply hired women managers so that they can get support that is really intended only for enterprises owned by women.

Stipulate specifically in the SME Support Law that women-owned SMEs are entitled to assistance. The SME Support Law aims to strengthen SMEs and help them to achieve their significant potential. While women-owned enterprises are SMEs, they face obstacles that are unique to women and, therefore, they need extra support. Only if women's enterprises are particularly specified in the SME Support Law, will policies to support women-owned SMEs be clear and feasible.

Support to women-owned SMEs should include:

- **Train women business owners:** The subjects covered in the training should include governance and management models, human resources management, finance, marketing, and business planning. This training should be undertaken through the Vietnam Association of Women Entrepreneurs, which is the organization closest to women entrepreneurs, and it knows the training needs of its enterprise members.
- **Provide information on resources, policy, and markets:** This could be in the form of new laws and regulations



covering enterprises; frequent policy dialogues with SMEs and business associations; development and introduction of tool kits and manuals; establishment of hotlines for legal and market information advice; and organization of workshops and seminars to share information with women-owned SMEs.

- **Facilitate women-owned SMEs in borrowing:** Reserve a fixed percentage of the enterprise development funds that the government currently provides to SMEs at the central and local levels to help women-owned SMEs to develop. Commercial banks should also consider tailoring products specifically

for women-owned SMEs.

● **Support women-owned SMEs in building business networks and engaging in trade promotion.**

Reserve a fixed number of the seats in government-supported trade promotion programs for women-owned SMEs, and also guarantee that women SME owners receive a fixed percentage of the trade promotion financing and other resources which government provides to SMEs.

● **Recognize and honor the contributions made by women-owned SMEs.**

The state should recognize women's contributions to SME development by periodically honoring women and giving them awards. This activity would help to enhance women's participation in socio-economic development.

Strengthen the role of women entrepreneurs' associations/clubs.

These organizations should be supported so that they can become a bridge for implementing state support to women-owned SMEs. These organizations should also be strengthened so that they can:

- Provide legal and market information to women's enterprises;

- Build the capacity of women's SMEs through providing training services; and Coordinate access to resources for women's SMEs.

Educate young people about the role of women entrepreneurs as well as the importance of sharing the household burden with them.

This is a long-term solution that needs to be implemented as soon as possible. Schools and society should educate children (and especially girls) so that they have the right attitude about sharing the burden of family responsibilities with women, and so a new generation of women entrepreneurs develops who have adequate qualifications, knowledge, and skills, as well as a cultural environment that does not discriminate against women entrepreneurs.



REFERENCES

- BMG Research (2013). *BIS Small Business Survey 2012: SME Employers*, Department for Business Innovation and Skills, London: Government of the United Kingdom. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/193555/bis-13-p74-small-business-survey-2012-sme-employers.pdf
- Global Entrepreneurship Research Association (2012). *2012 Women's Report: Global Entrepreneurship Monitor*. Wellesley, MA: Babson College <http://www.babson.edu/Academics/centers/blank-center/global-research/gem/Documents/GEM%202012%20Womens%20Report.pdf>
- GSO (2014). *Enterprise Survey 2013, Hanoi*: General Statistics Office of Vietnam. https://www.gso.gov.vn/default_en.aspx?tabid=515&idmid=5&ItemID=13733
- Harding, R. (2007). *State of Women's Enterprise in the UK*, Norwich, U.K.: PROWESS
- IFC (2011). *Strengthening Access to Finance for Women-Owned SMEs in Developing Countries*, Washington, DC: International Finance Corporation and Global Partnership for Financial Inclusion.
- IFC (2012). *IFC and Small and Medium Enterprises*, IFC Issue Brief http://www.ifc.org/wps/wcm/connect/277d1680486a831abec2fff995bd23db/AM11IFC+IssueBrief_SME.pdf?MOD=AJPERES
- IFC (2014a). *Improving Access to Finance for Women-owned Businesses in India*, New Delhi: International Finance Corporation and Government of Japan. <http://www.ifc.org/wps/wcm/connect/a17915804336f2c29b1dff384c61d9f7/Womenownedbusiness1.pdf?MOD=AJPERES>
- IFC (2014b). *Women-owned SMEs: A Business Opportunity for Financial Institutions*, Washington, DC: International Finance Corporation. <https://yali.state.gov/wp-content/uploads/sites/4/2016/03/WomenOwnedSMes+Report-Final.pdf>

- OECD (2012). *“Share, size and industry of women-owned enterprises”*, in Entrepreneurship at a Glance 2012, Paris: Organisation for Economic Co-operation and Development
http://www.oecd-ilibrary.org/industry-and-services/entrepreneurship-at-a-glance-2012_entrepreneur_aag-2012-en
- OECD (2014). *Women, Government and Policy Making in OECD Countries: Fostering Diversity for Inclusive Growth*, Paris: Organisation for Economic Co-operation and Development (OECD)
http://www.oecd-ilibrary.org/governance/women-government-and-policy-making-in-oecd-countries_9789264210745-en
- SBA (2016). *The Women-Owned Small Business Federal Contract Program*. <https://www.sba.gov/contracting/government-contracting-programs/women-owned-small-businesses/what-you-need-know-if-you-are-women-owned-small-business>
- SMBA (2009). *Act on support for female-owned business*. <http://www.smba.go.kr/eng/smes/laws.do?mc=usr0001162>
- Todaro, M. and Smith, S. (2014). *Economic Development*, 12th Edition, New York: Pearson Publishing
- USDC and ESA (2010). *Women-Owned Businesses in the 21st Century*, Washington, D.C.: United States Department of Commerce. <http://www.esa.doc.gov/reports/women-owned-businesses-21st-century>
- VCCI and USAID (2015a). *The Vietnam Provincial Competitiveness Index 2015*, Hanoi: Vietnam Chamber of Commerce and Industry and United States Agency for International Development, Database and Survey Report
- VCCI and USAID (2015b). *The Vietnam Provincial Competitiveness Index 2015*, Hanoi: Vietnam Chamber of Commerce and Industry and United States Agency for International Development, http://eng.pcivietnam.org/tailieu/PCI2015-Report_EN.pdf
- World Bank (2015). *The Enterprise Survey: Gender*, <http://www.enterprisesurveys.org/data/exploretopics/gender>

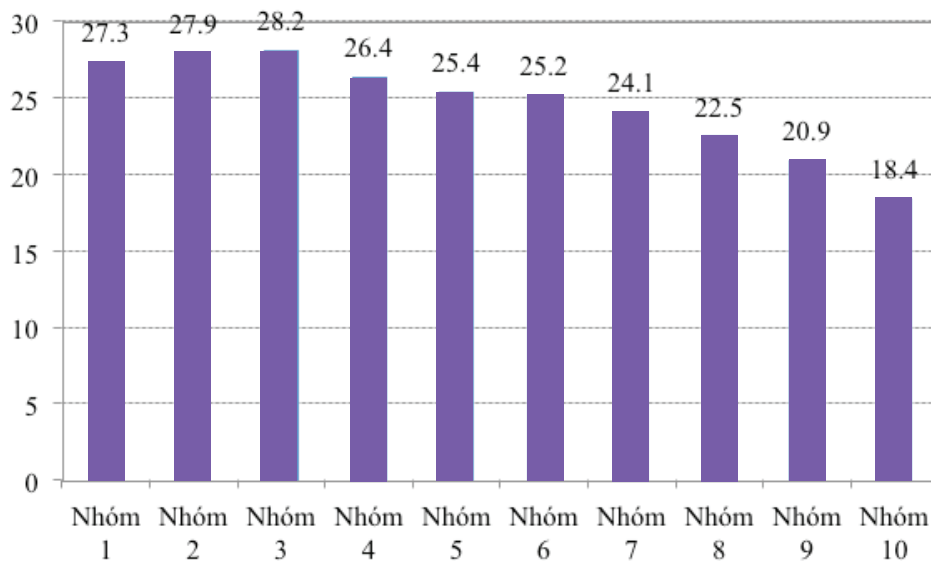
ANNEXES

Annex 1: Number of women-owned SMEs in Viet Nam by sector and scale, 2013

	Women-owned SMEs		SMEs	
	Number	Percentage (%)	Number	Percentage (%)
Sector	93224	100	373162	100
Agriculture	948	1,0	10266	2,8
Industry	35044	37,6	173398	46,4
Services	57232	61,4	189498	50,8
Scale	93224	100	373162	100
Micro	66821	71,7	249454	66,9
Small	25278	27,1	118025	31,6
Medium	1125	1,2	5683	1,5

Source: GSO Enterprise Survey 2013

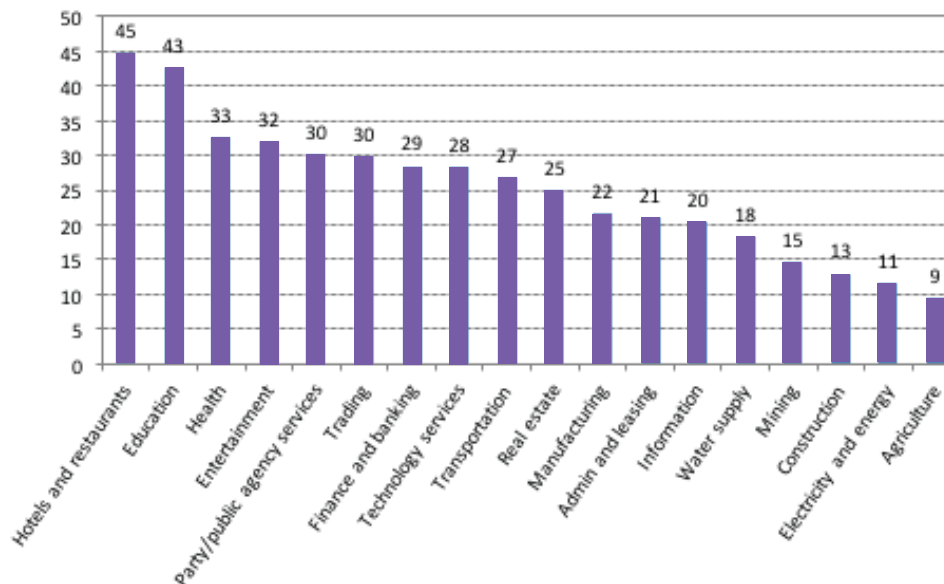
Annex 2: Percentage of women-owned SMEs by increasing size of employment



Note: Group 1, 2,...10 are ten groups of 10% of businesses each by increasing size of employment

Source: Own calculation from Enterprise Survey 2013

Annex 3: The ratio of women-owned SMEs by sector, 2013



Source: GSO Enterprise Survey 2013

Annex 4: List of organizations interviewed for this study

No.	Name of Agency
1.	Social Insurance Department, Ministry of Labor, Invalids and Social Affairs
2.	Agency for Enterprise Development, Ministry of Planning and Investment
3.	Gender Equality Department, Ministry of Labor, Invalids and Social Affairs
4.	The General Department for Taxation
5.	Ho Chi Minh City Department of Taxation
6.	Ho Chi Minh City Department of Labor, Invalids and Social Affairs
7.	Can Tho Department of Labor, Invalids and Social Affairs
8.	Can Tho Department of Taxation
9.	Can Tho Job Center
10.	Ha Noi Department of Labor, Invalids and Social Affairs
11.	Hanoi Association of Women's SMEs
12.	Ho Chi Minh City Association of Women Executives and Entrepreneurs
13.	Can Tho Business Association

Annex 5: List of legal documents reviewed for this study

Law No. 73/2006/QH11 on Gender Equality issued by the National Assembly of Viet Nam

Law No. 38/2013/QH13 on Employment issued by issued by the National Assembly of Viet Nam

Decree 56/2009/ND-CP of the Viet Nam Government on supporting small and medium enterprises

Decision 2531/QĐ-TTg of the Prime Minister of Viet Nam approving the National Gender Equality Strategy for the period 2011–2015

The Beijing Declaration and Platform for Action (1995) to which Viet Nam is a party

The Convention on the Elimination of All Forms of Discrimination against Women (1981), to which Viet Nam has been a party since 1982

The United Nations' 2015 Sustainable Development Goals (SDGs), which Viet Nam has adopted
ASEAN Women's Entrepreneurship Network, to which Viet Nam belongs

Resolution of APEC Ministerial Meeting on SMEs and Women, 2013, to which Viet Nam was a party