

**MINISTRY OF EDUCATION AND TRAINING MINISTRY OF FINANCE  
ACADEMY OF FINANCE**

**TRAN QUOC HOAN**

**IMPROVING ACCESSIBILITY TO BANK CREDIT  
FOR SMALL AND MEDIUM-SIZED  
ENTERPRISES IN PHU THO PROVINCE**

**Major: Finance – Banking**

**ID: 09.34.02.01**

**SUMMARY OF DOCTORAL THESIS IN ECONOMICS**

**HA NOI – 2018**

**THIS WORKS IS COMPLETED AT THE ACADEMY OF FINANCE**

**Scientific instructor: Assoc. Prof., Dr. Duong Dang Chinh**

**Judge 1:** .....

.....

**Judge 2:** .....

.....

**Judge 3:** .....

.....

This thesis is presented at the Thesis Council at academy level, held at the Academy of Finance

At ..... hour....., date..... month..... year 20.....

**The theis is available at**

- the National Library of Vietnam and**
- the library of the Academy of Finance**

## PREFACE

### **1. Urgency of the thesis topic**

Bank credit is an important external source of finance for small and medium-sized enterprises (SMEs) . However, there exists such a paradox: the credit market for SMEs includes companies whose credit demand is too much for microfinance operations but too small to utilize banking service models for large enterprises; as the result, SMEs face with many difficulties in accessing bank credit.

In Phu Tho province, as of Dec 31, 2017, there are 3,680 enterprises in operation with SMEs accounting 89.3%. Besides their strengths, SMEs have been showing many shortcomings. One of them is the difficulties in accessing bank credit; without timely solutions, this will become a big challenge to the existence and development of these enterprises.

The government and the banking industry have many support policies to help SMEs access bank credit; however, the outstanding bank loan of SMEs in Phu Tho province account for a low ratio and the number of SMEs that have yet been able to access bank credit is high. In addition, the number of enterprise in actual operation only accounts for 57.5% of the total number of enterprises that registered for business. This calls for solutions for the government, local authorities, the banking industry and SMEs to promote the credit relation between commercial banks and SMEs and to radically solve difficulties and barriers for SMEs in accessing bank credit.

These analyses clearly point out the urgency, scientific and practical significance of studying accessibility to bank credit of SMEs. That is the reason why the author chooses the following topic for his doctoral thesis: *Improving accessibility to bank credit for small and medium-sized enterprises in Phu Tho province*.

### **2. Overview of studies related to the thesis topic**

The author selects and classify studies to compare, inherit and develop into two groups:

(i) Group of theoretical studies, including: theories of credit rationing (Stiglitz & Weiss, 1981), institutional economics (Olson, 1971; Hardin, 1982; North &

Thomas, 1973; North, 1991), social network (Granovetter, 1973), and economic regulation (Keynes, 1936).

(ii) Group of empirical studies including doctoral theses, scientific studies, articles published in reputable scientific journals. Some representative studies are those of Jankowicz & Hisrich (1987), International Finance Corporation (2009), Nghiem Van Bay (2010), Tran Trong Huy (2013), Dang Thi Huyen Huong (2016), Ngo Thi Mai Linh (2015), Nguyen Thi Kim Ly (2013),...

There are issues to be improved in published studies. The author identifies research gaps about accessibility to bank credit of SMEs as follows:

*Firstly*, published studies only cover experiences of countries in the world to draw lessons about policies for the government. None of them provides a comprehensive analysis about the experiences and lessons to improve accessibility to bank credit of SMEs for all participants (SMEs, commercial banks, the government, and local province).

*Secondly*, published studies focus on surveying and measuring accessibility to bank credit in one commercial bank or in a specific area. There is no in-depth and comprehensive study about accessibility to bank credit của SMEs in Phu Tho province. Especially, there is a lack of studies that combine qualitative research and quantitative research for scientific evidences to provide solutions and recommendations to accessibility to bank credit of SMEs in Phu Tho province in relation with the current socio-economic conditions.

*Thirdly*, due to difference in time and space, fluctuations of macro economy, and impacts of support policies of the government for SMEs since the issuance of Law 04/2017/QH14 on assistance for SMEs as well as distinctive policies and mechanism in Phu Tho province, the direction and level of impacts of factors in previous studies may not be suitable for studying SMEs in Phu Tho province. Or the impact of factor “Support policies for SMEs of the government and local province” has not been put into and verified in study models of previous studies.

### **3. Research objective and task**

The thesis aims to base on outcome of theoretical and practical studies about accessibility to bank credit của SMEs to present solutions and recommendations to improve accessibility to bank credit of SMEs in Phu Tho province.

Specific research tasks of the thesis include:

*Firstly*, clarifying a number of theoretical issues about SMEs, bank credit for SMEs and accessibility to bank credit for SMEs; studying experience in a number of countries and commercial banks in the world about improving accessibility to bank credit for SMEs, from that drawing lessons for Vietnamese government, Phu Tho province, commercial banks and SMEs.

*Secondly*, analyzing and evaluating the reality of accessibility to bank credit for SMEs in Phu Tho province; also finding out and verifying affecting factors accessibility to bank credit for SMEs in Phu Tho province.

*Thirdly*, proposing solutions and recommendation to improve accessibility to bank credit for SMEs in Phu Tho province.

### **4. Research question**

- What are SMEs, bank credit, and accessibility to bank credit for SMEs? What are experience lessons for improving accessibility to bank credit for SMEs drawn for the government, Phu Tho province, commercial banks and SMEs?

- What is the current situation of accessibility to bank credit for SMEs in Phu Tho province? What factors from SMEs, commercial bank, the government and Phu Tho province affect accessibility to bank credit of SMEs in Phu Tho province and what are the impact level and direction of these factors?

- What must SMEs do to access bank credit? What must commercial banks do to expand credit for SMEs? What policies and mechanism should the government, State Bank and Phu Tho province should provide to solve difficulties and support SMEs in accessing bank credit.

### **5. Research objects and scope**

**5.1. Research objects:** Theoretical and practical issues about accessibility to bank credit for SMEs.

## **5.2. Research scope**

- *In terms of content:*

+ The thesis applies the identification and classification of SMEs according to the Law 04/2017/QH14 on assistance for SMEs and guiding documents.

+ About the term of “bank credit”, the thesis only mentions from the perspective of lending operation of commercial bank. Banks from which SMEs seek credit are limited to commercial bank.

+ The thesis focuses on analyzing factors of SMEs, commercial bank, the government and locality.

- *In terms of space:* In Phu Tho province.

- *In terms of time:* The thesis applies data for analysis from the period of 2013 – 2017, data for survey from May to Sept 2017, and provide directions, solutions, recommendations until 2025.

## **6. Research design, hypotheses and methodology**

### **6.1. Research design**

The following steps are included: identifying research matters, gathering background theories and studies, building the research model, applying qualitative research and quantitative research methods, analyzing results and presenting solutions and recommendations..

### **6.2. Research hypotheses**

- Hypothesis 1: When evaluating the impact of any factor on accessibility to bank credit for SMEs, other factors remain unchanged..

- Hypothesis 2: When studying the credit policies of commercial banks, because there are only branches of commercial banks in Phu Tho province, the thesis states the hypothesis that the credit policies for SMEs of commercial banks are followed and properly implemented by these branches.

### **6.3. Phương pháp nghiên cứu**

The thesis's approach to research objects is based on methods of dialectical materialism and historical materialism as general methodologies. The thesis combines the two methods of qualitative and quantitative research.

- *Research model*: the overall correlation model takes the following form:

$$TCTD = f(NLLD, QHDN, TSDB, KNTN, MBTC, LSVN, CSTD, CPVV, CSHT)$$

In which:

- Dependent variable: TCTD – Accessibility to bank credit for SMEs.

- Independent model:

+ NLLD: Competence of leaders and consulting team in an enterprise

+ QHDN: Business relationship of an enterprise

+ TSDB: Collateral asset

+ KNTN: Debt repayment capability of an enterprise.

+ MBTC: Financial intransparency of enterprise.

+ LSVN: History of debt of an enterprise.

+ CSTD: Credit policy of commercial banks.

+ CPVV: Borrowing cost

+ CSHT: Support policies for SMEs of the government and locality.

- *Sampling method*

The thesis applies the stratified sampling method for 13 districts in Phu Tho province and after that applies the convenience sampling method. If the collected sample in each area does not ensure diversity according to criteria for classifying SEMs, the author carries out additional survey and selection to ensure the best sample representativeness

- *Sample size*

The author's research model has 10 scales with 42 observed variable in total. According to Hair (1998), the minimum sample size is  $42 \times 5 = 210$  quan sát. Through survey, the author collects 387 eligible survey slips; therefore it can be confirmed that the research sample ensure representativeness.

- *Data analysis method.*

The author applies the exploratory factor analysis (EFA) to identify factors affecting accessibility to bank credit for SMEs in Phu Tho province and use the SPSS 20 software to evaluate the scale reliability and verify the research model as well as research hypothesis.

## **7. New contributions of the thesis**

### ***7.1. New contributions in terms of theory***

*Firstly*, the thesis proposes a system of criteria for evaluating accessibility to bank credit for SMEs, including: activeness level of SMEs, commercial banks, the government and locality; Credit outstanding balance of SMEs; Number and ratio of SMEs that have access to bank credit; Average credit outstanding balance of one SME; and accessibility to bank credit for SMEs according to influencing factors.

*Secondly*, the thesis presents a number of experience lessons for Vietnamese government, Phu Tho province, commercial banks and SMEs to improve accessibility to bank credit for SMEs.

*Thirdly*, the thesis builds a quantitative research model with 8 influencing factors of accessibility to bank credit for SMEs in Phu Tho province. New contributions of the model include:

(1) Research results show positive impacts of factors about competence of leaders and consulting team in an enterprise, business relationship of an enterprise, collateral asset, debt repayment capability, credit policy of commercial banks and support policies for SMEs of the government and locality and negative impacts of factors about borrowing cost and history of debt of an enterprise on accessibility to bank credit for SMEs.

(2) The thesis points out that financial intransparency of SMEs does not really show impact on accessibility to bank credit for SMEs in Phu Tho province.

(3) The thesis presents quantitative evidences to prove positive impacts of “Support policies for SMEs of the government and locality” on accessibility to bank credit for SMEs, which has not been verified in previous studies.

(4) The thesis also presents quantitative evidences to prove that SEMs with operational period less than 3 years and micro-enterprises have much accessibility to bank credit than other SMEs.

### ***7.2. New contributions in terms of reality***

*Firstly*, the thesis provides a lot of important and meaningful information about the reality of accessibility to bank credit for SMEs in Phu Tho province during

the 2013 – 2017 period through analyzing data table, mathematical graph, and criteria... This is very necessary for policy planners, commercial bank, and SMEs because so far, there is a lack of detailed and scientific evident about the reality of accessibility to bank credit of SMEs in Phu Tho province.

*Secondly*, the thesis presents solutions for each subject: SMEs (including 6 specific solutions) and commercial banks (including 7 specific solutions). In addition, the thesis presents for the government, State Bank, and Phu Tho province in building and implementing support mechanism and policies for SMEs in accessing bank credit.

## **8. Structure of the thesis**

In addition to the preface, conclusion, list of reference material, list of published works of the author and appendix, the thesis is comprised of 3 chapters:

Chapter 1: Basis issues about accessibility to bank credit for SMEs.

Chapter 2: Reality of accessibility to bank credit for SMEs in Phu Tho province.

Chapter 3: Solutions to improve accessibility to bank credit for SMEs in Phu Tho province.

## **Chapter 1**

### **BASIS ISSUES ABOUT ACCESSIBILITY TO BANK CREDIT OF SMEs**

#### **1.1. GENERAL ISSUES OF SMEs**

##### **1.1.1. Concept**

SME is a business with limited scale according to certain criteria which are associated with each socio-economic development period of each country.

##### **1.1.2. Characteristics**

- SMEs have limited capital scale, mostly from self-financing, and low accessibility to bank credit.
- SMEs operate in various business fields.
- SMEs have limited labor force and low number of high quality personnel.
- The leading teams in SMEs are dynamic but have low management competency. The management mechanism is streamlined.
- SMEs have low market access and encounter many difficulties in international economic integration.

##### **1.1.3. Role**

- SMEs provide good solutions for employment and income of employees, especially local employees.
- SMEs have considerable contributions to socio-economic development in localities and the whole country.
- SMEs help utilize existing resources of localities and step up the economic restructuring process.
- SMEs help increase efficiency and competitiveness of the economy.

#### **1.2. BANK CREDIT FOR SMEs**

##### **1.2.1. Concept**

Bank credit is known as the amount of money that commercial bank lend SMEs for business and production activities.

##### **1.2.2. The role of bank credit for SMEs**

- Help solve capital issues for SMEs, help them seize opportunities and improve competitiveness in the market.

- Bank credit helps SMEs improve capital usage efficiency and the health of the economy.

- Bank credit motivates SMEs to improve business efficiency, establish reputation and position their trademark in the market.

### **1.3. ACCESSIBILITY TO BANK CREDIT FOR SMEs**

#### **1.3.1. Concept**

Accessibility to bank credit for SMEs is how SMEs can take loans from commercial bank when they have the need to use capital for business and production activities.

#### **1.3.2. Forms of accessing bank credit for SMEs**

SMEs often access bank credit in the forms of loan, discount, financial lease, factoring, bank guarantee and corporate bond issuance.

#### **1.3.3. Several evaluation criteria of accessibility to bank credit of SMEs**

##### ***1.3.3.1. Qualitative criteria***

- Activeness level of accessing bank credit for SMEs.
- Activeness level to approach SMEs for credit of commercial bank
- Activeness level of the government and local authorities to support SMEs access bank credit.

##### ***1.3.3.2. Quantitative criteria***

- Credit outstanding balance of SMEs.
- Number of SMEs that have access to bank credit.
- Ratio of SMEs that have access to bank credit.
- Average credit outstanding balance of one SME.
- Accessibility to bank credit for SMEs according to influencing factors

#### **1.3.4. Influencing factors of accessibility to bank credit for SMEs**

##### ***1.3.4.1. Group of factors related to SMEs***

Include: competence of leaders and consulting team in an enterprise; connection of an enterprises; collateral asset; debt repayment capability of an enterprise (feasibility of investment project/business plan, scale and efficiency of an enterprise); financial transparency of enterprise; distory of debt of an enterprise.

### ***1.3.4.2. Group of factors related to commercial banks***

Include: credit policy for SMEs; cost SMEs have to pay to have to rights to use bank credit (borrowing cost, related costs when taking loan and other costs).

### ***1.3.4.3. Group of other factors***

Include: Stability of marco economic environment; synchronization of the legal system; infrastructure for the economy; support of the local authorities...

## **1.4. A NUMBER OF EXPERIENCE AND LESSONS IN IMPROVING ACCESSIBILITY TO BANK CREDIT FOR SMEs**

### **1.4.1. Experience**

#### ***1.4.1.1. Experience in building and implementing support policies for SMEs in accessing bank credit of several countries in the world***

Credit guarantee and direct loan for SMEs are two support policies to help SMEs access bank credit that are used in most countries with Japan and Korea as two successful representative examples.

#### ***1.4.1.2. Experience in expanding credit for SMEs in some commercial banks in the world***

Wells Fargo and ICICI succeed in expanding credit for SMEs.

#### ***1.4.1.3. Experience in improving accessibility to bank credit for SMEs through credit guarantee funds in Vietnam***

Credit guarantee funds for SMEs mostly do not operate efficiently or fully carry out their missions for establishment.

### **1.4.2. Lessons**

*Firstly*, the government should not only focus the development of big enterprises and need to pay attention to the development of SMEs. There should be appropriate mechanism and policies to help SMEs overcome difficulties. The government should establish organizations that specializes in supporting SMEs

*Secondly*, Phu Tho province should create a credit guarantee fund for SMEs.

*Thirdly*, commercial banks need to understand SMEs well and do not apply a sole method to serve all SMEs; they need to proactively look for SME customers, renovate promotion methods and be flexible in credit rating for SME customers.

*Fourthly*, SMEs need to actively improve their internal strength, financial transparency, utilize support from related parties to maintain production stability and improve business efficiency. Through that they can improve accessibility to bank credit.

### **Conclusion of chapter 1**

Chapter 1 gathers, systemizes, contributes to and clarifies a number of theoretical issues about SMEs, bank credit for SMEs and accessibility to bank credit for SMEs.

## Chapter 2

### REALITY OF ACCESSIBILITY TO BANK CREDIT FOR SMEs IN PHU THO PROVINCE

#### 2.1. OVERVIEW OF SMEs IN PHU THO PROVINCE

##### 2.1.1. Overview of Phu Tho province

Phu Tho is a province in the Northern midland and mountainous region of Vietnam with favorable conditions and great potentials for business, trade, economic development in both domestic and foreign markets.

##### 2.1.2. The number of SMEs in actual operation in Phu Tho province

Thanks to the potentials and advantages of strategic locations, the number of SMEs in Phu Tho province is increasing quickly over the years.

**Table 2.1. Number of SMEs in Phu Tho province**

*Unit: Enterprise*

Criteria	Year	Year	Year	Year	Year
	2013	2014	2015	2016	2017
Accumulated number of registered enterprises	4,469	4,762	5,221	5,797	6,402
Accumulated number of registered SMEs	4,234	4,494	4,900	5,432	6,009
<b>Number of SMEs in actual operation</b>	<b>2,171</b>	<b>2,184</b>	<b>2,395</b>	<b>2,827</b>	<b>3,267</b>

*Source: Statistic Bureau in Phu Tho province (2014, 2015, 2016, 2017, 2018).*

SMEs in Phu Tho province are mainly micro SMEs and small enterprises (accounting for 50.9% and 34.7%, respectively) with weak financial ability, average production technology and low business and production quality/efficiency. Due to limited capital scale and financial ability, they have many difficulties in accessing bank credit.

##### 2.1.3. The number of SMEs that register for new business, cease operation, go bankrupt and dissolve in Phu Tho province

During these times, SMEs in Phu Tho province are suffering from market fluctuations and barriers in accessing bank credit, causing many SMEs to go

bankrupt, dissolve or cease operation. Even the government implements a number of capital support programs for SMEs such as credit support, credit guarantee..., the number of SMEs that suffer from losses, dissolution, and bankruptcy every year is considerable. This proves the lack of capital still exists in SMEs.

**Table 2.3. The number of SMEs that register for new business, cease operation, go bankrupt and dissolve in Phu Tho province**

*Unit: Enterprises*

	<b>Year</b>	<b>Year</b>	<b>Year</b>	<b>Year</b>	<b>Year</b>
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
No of newly registered SMEs	435	389	496	619	645
No of SMEs registered for cease of business	19	51	91	124	152
No of bankrupt, dissolved SMEs	14	96	37	43	40

*Source: Department of Planning and Investment in Phu Tho province (2014, 2015, 2016, 2017, 2018).*

## **2.2. REALITY OF ACCESSIBILITY TO BANK CREDIT FOR SMEs IN PHU THO PROVINCE**

### **2.2.1. Activeness level of accessing bank credit of SMEs**

The thesis presents analysis from the following aspects:

- Staff of enterprises and competency in making investment/business plans
- Disclosure of financial information of SMEs.
- Level of creating business relationship among SMEs and local authorities, commercial bank and other enterprises.

### **2.2.2. Activeness level of commercial banks in approaching SMEs to grant credit**

The thesis presents analysis from the following aspects

- Developing the network of bank branches to serve SMEs.
- Strategy towards SME customers of commercial banks.
- Lower lending interest rate of commercial bank for SMEs.

### **2.2.3. Activeness level of the government và Phu Tho province to support SMEs in accessing bank credit**

The government has issues many policies to support the development of SMEs; they are being increasingly effective and have considerable impacts. Many adjustments have been made in these policies to be more suitable to distinctive characters of SMEs. The government also pushes related ministries and industries to improve and implement support policies for SMEs.

In realizing Resolution No.35/NQ-CP of the government on enterprise support and development, the banking industry is implementing solutions in “The scheme on increase of accessibility to banking services for the economy” in a synchronized manner. State Bank also directs commercial bank to implement many support policies, reduce lending interest rate and prioritize capital for SMEs, which helps reduce difficulties and create favorable conditions for SMEs in accessing bank credit effectively, recovering and stepping up business operation.

The People’s Committee in Phu Tho province also implements many support policies and mechanism to help SMEs access bank credit, such as: requesting local commercial banks to reduce lending interest rate, providing exemption and reduction of interest rate for SMEs in difficulties; organizing dialogue and discussions for difficulties of SMEs; organizing programs to connect banks and enterprises.

### **2.2.4. Credit outstanding balance of SMEs**

Credit outstanding balance of SMEs accounts for a low ratio in the total credit outstanding balance with relatively good growth rate of 27.17% in 2017. However, the average growth rate of credit outstanding balance of SMEs during 2013 – 2017 only reached 7.5%, lower than that of the provincial level (20.6%). SMEs in Phu Tho province are mostly able to approach short-term credit; the number of SMEs that can access medium and long-term credit accounts for a moderate percentage.

The ratio of SMEs’ bad credit debtio in 2017 is still high at 1.05% (a decrease of 0.18% compared to 2016); this ratio is higher than whole province’s bad debt ratio (0.6%) and the general ratio of bad credit debt for enterprises (0.5%). However, by the end of 2017, the bad credit debt ratio of in several bank branches is relatively

high despite the moderate number of SMEs having credit outstanding balance in these branches, such Techcombank Phu Tho province, Co-opBank Phu Tho province. This shows these bank branches have difficulties in expanding credit for SMEs; the number of SME customer is low but the credit risk management competency is low, and there is also a lack of necessary understanding about SMEs to expand credit for SMEs in a safe and effective way.

**Table 2.4. Credit outstanding balance of SMEs in Tho province**

*Unit: Billion dong*

Criteria	Year 2013	Year 2014	Year 2015	Year 2016	Year 2017
Total credit outstanding balance	23,126	26,794	33,688	42,206	48,889
SME credit outstanding balance	7,088	6,628	7,154	7,430	9,449
+ $\Delta_{DNTD}$		-460	526	276	2,019
+ $\%_{DNTD}$		-6.49%	7.94%	3.86%	27.17%
Short-term credit outstanding balance of ngắn hạn	5,931	5,434	5,755	5,482	7,193
Long-term credit outstanding balance of SMEs	1,157	1,194	1,399	1,558	2,256
SME credit outstanding balance /total credit outstanding balance	30.65%	24.74%	21.24%	17.60%	19.33%

*Source: State Bank of Vietnam - Phu Tho province brance (2018b) and the author's calculation.*

### **2.2.5. Number of SME having access to bank credit**

As of 31/12/2017, Phu Tho province has 2,147 SMEs having access to bank credit, an increase of 23.60% compared to 2016. From 2014, the number of SMEs having access to bank credit is on the rise, indicating changes in SMEs' ability to absorb capital. The average growth rate of SMEs having access to bank credit during the 2013 – 2017 period reaches 15.2%/year. Big banks' branches develop a relatively

large scale of SME customer (BIDV Phu Tho province, Agribank Phu Tho province, BIDV Hùng Vương, Vietinbank Phu Tho province,...). Meanwhile several bank branches still hesitate in granting credit for SMEs; many bank branches disburse capital for only few SME customers (VIB Phu Tho province, Nam A Bank Phu Tho province, Techcombank Phu Tho province).

### **2.2.6. The ratio of SMEs having access to bank credit**

Even though the ratio of SMEs having access to bank credit in Phu Tho province reaches 65.32%, this ratio is only 35.73% if it is calculated based on the total number of registered SMEs. This shows a large number of potential SMEs having no opportunity for growth; the local authorities and banking industry have not truly revived SMEs.

### **2.2.7. Average credit outstanding balance of an SME**

**Table 2.6. Average credit outstanding balance of an SME**

<b>Criteria</b>	<b>Year</b>	<b>Year</b>	<b>Year</b>	<b>Year</b>	<b>Year</b>
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Credit outstanding balance of SMEs ( <i>Billion dong</i> )	7,088	6,628	7,154	7,430	9,449
Number of SMEs having outstanding balance ( <i>Enterprise</i> )	1,526	1,650	1,684	1,864	2,081
DN <sub>TDBQ</sub> ( <i>Billion/Enterprise</i> )	4.64	4.02	4.25	3.99	4.54

*Source: State Bank of Vietnam - Phu Tho province brance (2018b) and the author's calculation.*

The average credit outstanding balance of an SME tends to rise over the years. This number is 4.29 billion dong/enterprise during 2013 – 2017; however it is not the same among bank branches.

### **2.2.8. Accessibility to bank credit of SMEs according to influencing factors**

Through verifying the quality of measurement scale and EFA model, the author identifies 9 representative scales for influencing factors of accessibility to bank credit for SMEs in Phu Tho province and one representative scale for

accessibility to bank credit for SMEs in Phu Tho province with total 39 observed variables; these scales are suitable with the initially proposed model.

Through verifying, it is show that there are 8 meaningful variables for accessibility to bank credit for SMEs in Phu Tho province (TCTD) including: CPVV, LSVN, CSHT, TSDB, QHDN, KNTN, NLLD, CSTD.

**Figure 2.4. Regression coefficient**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	.922	.440		2.094	.037		
1 CPVV	-.459	.052	-.351	-8.837	.000	.699	1.430
LSVN	-.328	.048	-.277	-6.803	.000	.669	1.496
CSHT	.246	.042	.211	5.891	.000	.860	1.163
TSDB	.206	.059	.141	3.498	.001	.684	1.462
QHDN	.193	.056	.122	3.430	.001	.874	1.144
KNTN	.172	.061	.119	2.841	.005	.625	1.600
NLLD	.196	.069	.112	2.814	.005	.696	1.437
CSTD	.148	.059	.094	2.496	.013	.781	1.280
MBTC	.069	.037	.066	1.876	.061	.897	1.115

*Source: Analysis results using SPSS 20 software.*

Standardized regression equation:

$$\text{TCTD} = -0.351 \cdot \text{CPVV} - 0.277 \cdot \text{LSVN} + 0.211 \cdot \text{CSHT} + 0.141 \cdot \text{TSDB} + 0.122 \cdot \text{QHDN} + 0.119 \cdot \text{KNTN} + 0.112 \cdot \text{NLLD} + 0.094 \cdot \text{CSTD}$$

The empirical research results match with theory and reality as well as initial expectation of research hypotheses, except for the MBTC factor. Research results show that the borrowing cost has the biggest impact on accessibility to bank credit for SMEs, followed by debt history, support policies for SMEs of the government and locality, collateral asset, business relationship, debt repayment capability, competence of leaders and consulting team and lastly credit policy of commercial banks.

Accessibility to bank credit for SMEs in Phu Tho province is rated at 3.20/5 point, showing that SMEs in Phu Tho province rank their accessibility to bank credit at an average level. Even though SMEs that can easily access bank credit is rated at 3.29/5 point, the amount of loan they get does not meet their demand (which is rated at 3.10/5).

Results of the uniform variance test and ANOVA test show the difference is “Accessibility to bank credit for SMEs” between groups of SMEs: SMEs with operation period of less than 3 years and micro enterprises have much lower accessibility to bank credit than other SMEs.

### **2.3. EVALUATING THE REALITY OF ACCESSIBILITY TO BANK CREDIT OF SMEs IN PHU THO PROVINCE**

#### **2.3.1. Obtained results**

*Firstly*, SMEs improve financial ability and gain encouraging results in their role as the main contributor to the province’s economic growth, investment and budget. The number of SMEs increases quickly over the years.

*Secondly*, the ratio of bad credit debt of SMEs is low and is on the decline over the years; it is within the control of commercial bank. This indicates that many SMEs in Phu Tho province with overdue debt and bad debt are able to pay their debt; the number of SMEs with overdue and bad debt is on the decline so their reputation with the lending commercial bank is improved.

*Thirdly*, the relation among SMEs in Phu Tho province with local authorities, commercial bank and other enterprises is considerable improved.

*Fourthly*, the banking industry in Phu Tho province shows many innovations to meet the capital demand of SME and solve difficulties for SMEs through many practical situations.

*Fifthly*, there are many positive changes in accessibility to bank credit of SME, credit outstanding balance of SMEs increases over the years

*Sixthly*, the government and Phu Tho province have issued many support policies and mechanisms to help SMEs access bank credit; they have positive impact to the establishment and development of SMEs.

## **2.3.2. Shortcomings and reasons**

### **2.3.2.1. From SMEs**

*Firstly*, SMEs in Phu Tho province is not proactive and do not have specific roadmap in improving themselves to meet credit requirements of commercial bank.

*Secondly*, collateral is still a big barrier for SMEs in accessing bank credit.

*Thirdly*, SMEs in Phu Tho province have not created close business and social business relationship with commercial banks, local authorities and other enterprises.

*Fourthly*, the internal strength of SMEs in Phu Tho province is still weak, and their capital absorption is low.

*Fifthly*, there are shortcomings in the management level and integration ability of SMEs in Phu Tho province; they are still inexperienced in creating loan application documents; their investment and business plans lack feasibility.

*Sixthly*, SMES in Phu Tho province have low level of financial transparency.

### **2.3.2.2. From commercial banks**

*Firstly*, commercial banks do not have official researches of big scale about SME customers; many of them still hesitate in granting credit for SMEs.

*Secondly*, credit products of commercial banks for SMEs are not varied; information about credit products and programs is not promoted on time to SMEs.

*Thirdly*, borrowing producers of commercial banks are still complicated; conditions for granting credit for SMEs are still too strict.

*Fourthly*, SMEs have been paying a considerable amount of fee to have to right to access credit from commercial bank.

*Fifthly*, forms of collateral for loan are still limited; collateral assets are mainly real estates; the ratio of loan on collateral assets is still low.

*Sixthly*, credit outstanding balance of SMEs in Phu Tho province only accounts for 19,33% of total credit outstanding balance, lower than the average ratio 22% of the whole country. As a result, the demand of SMEs has not been meet; regarding medium and long term credit outstanding balance.

### ***2.3.2.3. From the government and Phu Tho province***

*Firstly*, there are many changes policies and mechanism of the government while guiding documents are issues late and not in a synchronized manner. Decisions of the People's Committee in Phu Tho province towards the development of SMEs are not synchronized or amended on time so there are still many shortcomings. Many administrative procedures are not adjusted and do not meet the development progress of enterprises.

*Secondly*, the internal economic strength of the province is still low. Investment in infrastructure for industrial zones and clusters is not done in a synchronized manner. There is no particular program to support SMEs. Without proper resources, support activities have not been done effectively. Training classes for SMEs do not bring about good results; the number of SME participants is low.

*Thirdly*, Phu Tho province has not established a credit guarantee fund for SMEs.

*Fourthly*, there is a lack of collaborative mechanism and close cooperation between commercial bank with the Department of Planning and Investment. Management Boards in industrial zones, tax agencies, business associations...in exchanging information of SMEs with good financial ability so that commercial bank can review and appraise loans.

*Fifthly*, attention has not been paid for the promotion of the government's support programs and policies so the impact of these policies in provincial level is low; not many SMEs know about these programs to join in time.

## **Conclusion of Chapter 2**

Chapter 2 presents the reality of accessibility to bank credit for SMEs in Phu Tho province during the 2013 – 2017 period and verifies factors affecting accessibility to bank credit for SMEs in Phu Tho province.

## **Chapter 3**

### **SOLUTIONS TO IMPROVE ACCESSIBILITY TO BANK CREDIT FOR SMEs IN PHU THO PROVINCE**

#### **3.1. ORIENTATIONS TO SUPPORT SMEs IN PHU THO PROVINCE IN ACCESSING BANK CREDIT**

##### **3.1.1. Development orientation for SMEs in Phu Tho province**

The Provincial Standing Committee in Phu Tho province issued Resolution No.25-NQ/TU about enterprise development in the provincial area with focus on viewpoint and development orientation for SMEs. The vision by 2020 is that there are over 8,000 enterprises in the province.

##### **3.1.2. Orientation for supporting SMEs in Phu Tho province to access bank credit**

Continue to review and research to properly and timely implement directions, policies of the government to encourage, support, create favorable conditions and solve difficulties for SMEs; support bank branches in the province to increase credit outstanding balance for SMEs.

#### **3.2. SOLUTIONS TO IMPROVE ACCESSIBILITY TO BANK CREDIT OF SMEs IN PHU THO PROVINCE**

##### **3.2.1. For SMEs**

- Step up the understanding of borrowing procedures and conditions, improve themselves to meet credit requirements of commercial bank, using borrowed capital for the right purpose, pay back original debt and interest rate to commercial bank on time.

- Step up investment valuable fixed assets and proactively access trust loan and guarantee credit by using future assets

- Build and strengthen the relation with commercial banks, local authorities and other enterprises.

- Explore and bring into play their internal strength and directs business towards fields in which the local province has potential and receive government's preferential treatment.

- Improve training for leaders and consulting regarding management and economic integration competency, especially the ability to create, manage and implement feasible investment products/business plans.

- Improve financial transparency.

### **3.2.2. For commercial banks**

- Must truly understand SMEs to make timely adjustment to credit policies
- Diversify and step up promotion for credit products and programs to SMEs
- Continue renovation and transparency of credit procedures and conditions.

Establish a specialize unit to support SMEs in completing borrowing documents and procedures.

- Create flexible interest rate policies according to borrowing objects and reduce related borrowing cost

- Flexibly apply collateral asset conditions, increase credit ratio for collateral asset value

- Expand credit for SMEs, especially medium and long term credit revenue.

- Increase consultancy and support activities to help solve difficulties for SMEs, build the relation between banks and enterprises on the spirit of mutual benefits.

## **3.3. RECOMMENDATIONS**

### **3.3.1. For the government**

- Build, improve and implement the legal system to support SMEs in a synchronized manner

- Organize and improve quality of training courses for SMEs.

- Carry out research to establish a national venture capital fund; have policies and mechanisms to encourage other capital sources to invest in SMEs.

- Maintain stability of the macro economy and monetary market; solve bad debt issues and lower interest rate.

### **3.3.2. For the State Bank**

- Expand the list of objects receiving preferential credit policies and mechanism, especially SMEs.

- Encourage commercial bank to increase trust loans and increase credit outstanding balance of SMEs to a high rate
- Continue to organize and bring into play obtained results of the connection programs between banks and enterprises
- Step up the provisions of related services to support business development of SMEs such as: financial consultancy, creation and management of investment projects and business plan.
- Step up co-operation with international financial organizations that provide credit and credit guarantee for SMEs in Vietnam

### **3.3.3. For Phu Tho province**

- Review and carry out studies to properly and adequately implement the government's policies and mechanism for SMEs.
- Step up the improvement of infrastructure of industrial zone, industrial clusters, trade village and increase capital absorption ability of SMEs.
- Establish a credit guarantee fund for SMEs in Phu Tho province.
- Build close collaborative mechanism and cop-operation among commercial bank, provincial State Bank, Department of Planning and Investment, business associations in exchanging information of SMEs.
- Effectively promote policies to SMEs and act of a bridge between business associations.

### **Conclusion of chapter 3**

Based on theory and reality as well as development orientation for SMEs in Phu Tho province in the coming time, the author proposes solutions and recommendations SMEs, commercial banks, State Bank, the government và Phu Tho province to improve accessibility to bank credit for SMEs.

## CONCLUSION

Besides the development in quantity, SMEs in Phu Tho province are facing capital issues, leading to the cease of operation, bankruptcy and dissolution of many of them. Empirical studies in Phu Tho province show only 55.52% SMEs in operation can access bank credit. Through using the EFA analysis model for survey data of 387 SMEs in Phu Tho province, 6 factors are identified as having positive impacts and 2 factors have negative impact on accessibility to bank credit for SMEs in Phu Tho province.

Improving accessibility to bank credit for SMEs in Phu Tho province does not only depend on SMEs themselves and commercial bank but also requires the support of the government and co-operation from related state organizations and local authorities.

Besides obtained results, the thesis still has certain shortcomings such as: the thesis might overlook SMEs that are unable to operate due to the lack of capital and want to take bank loans to develop; the thesis has not carried out surveys from credit providers (commercial bank) and state management agencies; the reasons why SMEs do not use bank credit but utilize owner's equity or unofficial credit sources is still a research gap. These shortcomings can open the door for further studies.

## LIST OF THE AUTHOR'S PUBLISHED WORKS RELATED TO THE THESIS

1. Tran Quoc Hoan (2018a), "Support policies for SMEs in Phu Tho province to access bank credit", *Financial Times* Vol 2 – March 03/2018 (677), 102–105.
2. Tran Quoc Hoan (2018b), "Factors influencing accessibility to bank credit for small and medium enterprises in Phu Tho", *Journal of Economics and Development*, Vol 250(II), April 2018, 121–130.
3. Tran Quoc Hoan (2018c), "Access to credit of Phu Tho province-based SMEs", *Economy and forecast review*, Issue 12 April/2018 (688), 37–40.