

Overview of Vietnamese Enterprises

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ABSTRACT

By the end of 2019, the Vietnamese business sector's size continued to grow dramatically, especially those in the service industry. However, Vietnamese enterprises are mainly non-state enterprises, with most of them being small and micro. Therefore, Vietnam has to face many difficulties and challenges in competition in domestic and foreign markets, mostly in international integration, taking place more and more deeply. Thus, the article describes the Vietnamese enterprises' current reality and then offers several recommendations to improve Vietnamese businesses' performance.

Keywords: Vietnamese enterprises

1. INTRODUCTION

The development of Vietnam over the past 30 years is remarkable. Political and economic reforms since 1986 have promoted economic growth, rapidly turning Vietnam from one of the world's poorest countries into a low-middle-income country. From 2002 to 2018, GDP per capita increased 2.7 times, reaching over \$ 2,700 in 2019, with more than 45 million people out of poverty. The poverty rate fell sharply from around 70% to below 6% (3.2 USD / day at purchasing power parity). In 2019, the Vietnamese economy continued to show a strong foundation and high resilience, thanks to increased domestic demand and export-oriented manufacturing. Preliminary figures show that real GDP increased by

about 7% in 2019, close to the growth rate in 2018, and Vietnam is one of the countries with the highest growth rates in the region (World Bank, 2020). A vital contribution to this growth is the business sector's positive and dynamic development - in 2019, this sector contributes over 60% to GDP (Ministry of Planning and Investment of Vietnam, 2020). Therefore, this article will outline a comprehensive portrait of Vietnamese enterprises, which will help in the evidence-based policymaking process, best serving corporate development goals and localities in Vietnam.

2. The current reality of Vietnamese enterprises

2.1. The number of newly registered enterprises

In 2019, the Vietnamese business sector's size continued to grow, with the whole country having 138.1 thousand newly registered enterprises, increasing by 5.2% compared to 2018. The service sector had 99.5 thousand newly established enterprises by the economic sector, accounting for 72% of the total number of newly-established enterprises and increasing 5.1% compared to 2018, followed by industry and construction. And finally, the agriculture, forestry, and fishery sector had 2 thousand enterprises, accounting for 1.5% and increasing by 9.9% compared to 2018 (Table 1).

Table 1: The number of newly-established enterprises by the economic sector

Total	Unit: Enterprise			
	2016	2017	2018	2019
	110.100	126.859	131.275	138.139
Agriculture, forestry and fisheries	1.883	1.955	1.847	2.029
Industry and construction	30.713	33.939	34.725	36.562
Service	77.504	90.965	94.703	99.548

Source: The General Statistics Office (2020)

2.2 The number of enterprises returning to operation

Table 2: The number of enterprises returning to operation by economic sector

	<i>Unit: Enterprise</i>				
	Average 2014-2015	2018	2019	Development Indicator	
				2019 Compared to 2018	Average 2016-2019 compared to average 2014-2015
Total	18463	34010	39421	115.9	171.4
Agriculture, forestry and fisheries	439	793	714	90.0	153.8
Industry and construction	5804	10245	11429	111.6	162.7
Service	12221	22972	27278	118.7	176.1

Source: The General Statistics Office (2020)

In 2019, Vietnam had 39,421 enterprises returning to operation, an increase of 15.9% compared to 2018, and reached the highest level in 2014-2019. By the economic sector: 27,278 service enterprises are returning to operation, up 18.7% compared to 2018; there were 11,429 industrial and construction enterprises, up 11.6%, and 714 enterprises in agriculture, forestry, and fishery, down 10.0% (Table 2).

Table 2 shows that, on average, in the period 2016-2019, Vietnam had 31,642 enterprises returning to operation each year, an increase of 71.4% compared to the 2014-2015 period average. By economic sector: On average, in the 2016-2019 period, the service sector had the highest average annual return of enterprises with 21,524 enterprises, an increase of 76.1% compared to the 2014 average. 2015; industry and

construction sector had 9,444 enterprises, up 62.7%; 675 enterprises in the agriculture, forestry, and fishery sectors, up 53.8%.

2.3 The number of enterprises suspending their business with registration

In 2019, the total number of registered businesses temporarily ceasing business in Vietnam's whole territory was 28,731, up 5.9% compared to 2018. By economic sector: The service sector has many businesses suspending registered business in 2019 was the highest with 20,139 enterprises, accounting for 70.1% of 32 companies suspending business of the entire economy, up 5.7% compared to 2018; industry and construction sector had 8,189 enterprises, up 6.7%; there were 403 enterprises in the agriculture, forestry and fishery sector, down 0.2% (Table 3).

Table3: The number of enterprises temporarily suspending their business activities by business sector

	<i>Unit: Enterprise; %</i>				
	Average 2014-2015	2018	2019	Development Indicator	
				2019 Compared to 2018	Average 2016-2019 compared to average2014-2015
Total	13686	27126	28731	105.9	178.0
Agriculture, forestry and fisheries	214	404	403	99.8	183.6
Industry and construction	3981	7673	8189	106.7	174.8
Service	9492	19049	20139	105.7	179.2

Source: The General Statistics Office (2020)

On average, in the 2016-2019 period, each year, Vietnam had 24,365 registered enterprises temporarily suspending their business, an increase of 78.0% compared to the 2014-2015 period average. By economic sector: The service sector has the average number of companies suspending business with the highest number of companies in the 2016-2019 period with 17,012 enterprises, accounting for 69.8% of the total number of temporarily suspended businesses Ministry of economy,

increasing 79.2% compared with the average period of 2014-2015; there were 6,961 enterprises in industry and construction, up 74.8%; There are 392 enterprises in the agriculture, forestry and fishery sector, an increase of 83.6% compared to the average period of 2014-2015. In 2019, the number of enterprises suspending their business with registration compared to the number of newly-established enterprises accounted for 20.8%; this rate was approximately the same as the

rate in 2018 (20.7%). The industry and construction sector has the highest rate among the three regions with 22.4%; followed by the service sector 20.2%, up 0.6% compared to 2018; the agriculture, forestry, and fishery sector is 19.9%, decreasing by 9.2% compared to 2018 (Table 3).

2.4 The number of enterprises completing dissolution procedures

In 2019, Vietnam had 16,840 enterprises completing dissolution procedures, an increase of 3.0% compared to 2018. By economic sector: The service sector had the largest number of dissolved enterprises in 2019 with 12,754 enterprises, an increase of 11.3% compared to 2018; the industry and construction sector had 3,722 enterprises, down 17.3%; There were 364 enterprises in the agriculture, forestry and fishery sector, down 7.4% (Table 4).

Table 4: The number of enterprises completing dissolution procedures by economic sector

	Average 2014-2015	2018	2019	Development Indicator	
				Unit: Enterprise; %	
				2019 Compared to 2018	BQ giai đoạn 2016-2019 so với BQ giai đoạn 2014-2015
Total	9499	16314	16840	103,2	152,0
Agriculture, forestry and fisheries	287	393	364	92,6	142,7
Industry and construction	2519	4462	3722	83,4	114,4
Service	6693	11459	12754	111,3	155,2

Source: The General Statistics Office (2020)

Table 4 also shows the average number of businesses in the 2016-2019 period, each year Vietnam had 14,436 enterprises completing dissolution procedures, an increase of 52% compared to the average number of enterprises conducting dissolution procedures in the period 2014-2015. . By economic sector: The service sector had the highest average number of dissolved enterprises in the 2016-2019 period with 10,389 businesses, an increase of 55.2% compared to the 2014-2015 period; Industry and construction sector dissolved on average 3,637 enterprises, up 44.4%; the dissolution of the agriculture, forestry and fishery sector was on average 410 enterprises, up 42.7%.

2.5 The number of active companies

As of December 31, 2019, the number of operating enterprises was 758.6 thousand, increasing 6.1% over the same period last year. Specifically, there are 239.7 thousand enterprises in industry and construction, increasing 5.08%, and 10.1 thousand enterprises in the agriculture, forestry, and fishery sector, decreasing 6.3%. The most substantial increase was in the service sector 6.9% (Table 5).

Table 5: Number of active companies by December 31 annually by industry

Total	Unit: Enterprise		
	2017	2018	2019
654.633	714.755	758.610	
Agriculture, forestry and fisheries	9.951	10.766	10.085
Industry and construction	212.170	228.147	239.755
Service	432.512	475.842	508.770

Source: The General Statistics Office (2020)

According to the General Statistics Office (2020), the number of operating enterprises with production and business results as of December 31, 2018 is 610.6 thousand (accounting for 80.5% of the total number of actual enterprises currently operating in Vietnam), increasing 9% over the same period in 2017, of which FDI enterprises increased 4.3%; non-state enterprises increased 9.2%; only state-owned enterprises decreased 9.1%. In terms of structure, in 2018, state-owned enterprises only accounted for 0.37% of total operating enterprises with production and business results nationwide, down 0.81 percentage points compared to 2010. Meanwhile, enterprises foreign-invested capital accounts for 2.77% and notably, non-state enterprises account for 96.86% and have the most robust growth rate in all three regions (up 0.63% compared to 2010).

Table 6: The number of operating enterprises with production and business results as of December 31 annually by type of enterprise

Total	Unit: %					
	2010	2014	2015	2016	2017	2018
	100	100	100	100	100	100
State enterprises	1,18	0,75	0,64	0,52	0,44	0,37
100% state-owned enterprises	0,64	0,37	0,30	0,25	0,21	0,18
Enterprises with more than 50% state capital	0,54	0,38	0,34	0,27	0,23	0,19
Non-state enterprises	96,23	96,50	96,66	96,71	96,67	96,86
Private	17,18	12,23	10,79	9,59	8,12	6,89
Partnerships	0,03	0,13	0,13	0,17	0,13	0,13
Co., Ltd	58,70	63,37	65,04	66,70	68,60	70,23
State-owned joint stock companies	0,61	0,38	0,32	0,26	0,21	0,18
Joint-stock companies do not have state capital	19,71	20,39	20,38	19,99	19,61	19,43
Foreign-invested enterprises	2,59	2,75	2,70	2,77	2,89	2,77
Enterprises with 100% foreign capital	2,14	2,33	2,31	2,37	2,50	2,42
Enterprise joint ventures with foreign countries	0,45	0,41	0,38	0,40	0,39	0,35

Source: The General Statistics Office (2020)

Thus, it can be seen that Vietnamese enterprises are mainly non-state enterprises with most of them being small and micro-enterprises. In the Vietnamese business community, over 95% are small and medium-sized enterprises, so they face many difficulties and challenges in competition in domestic and foreign markets, especially in national integration and multinational and transnational companies dominate the global market. Typically the general difficulties enterprises are facing are (1) Shortage of capital, difficulty in accessing credit sources, mainly medium and long-term capital sources; (2) The machinery and equipment used in Vietnamese enterprises is only 10% modern, 38% average and 52% are obsolete and very out of date; the rate of using high technology is only 2%; (3) Vietnamese enterprises invest in technology innovation very low, only about 0.2% - 0.3% of total revenue. The level of technology equipment in non-state SMEs is only 3% level of technical equipment in large enterprises (Van Anh, 2020); (4) Besides, Vietnamese enterprises' great challenges are the low quality of human resources. According to the General Statistics Office of Vietnam (2019) as of 2018, Vietnam has only about 12.2 million employed people (equivalent to 21.9%) who have been trained. This will partly reduce Vietnamese enterprises' competitiveness, especially in the context of deepening international economic integration.

3. Recommendations

Firstly, improve the organization and management of the business: administrators need to understand the capabilities and qualifications of each employee to have the staffing system stratification, division of work, and assign responsibility for specific parts.

Second, improve the quality of inputs: inputs of the production process, including capital factors, input materials, human resources, and science and technology level. Enterprises need to find good sources of raw materials to ensure the quality of their manufactured products. Besides that, they should also look for new sources of raw materials and substitute materials with guaranteed quality. The abundant capital source with reasonable capital use plans also dramatically affects the business results and competitiveness. When the enterprise has enough financial resources, the enterprise can choose suppliers of input materials, has many suitable sales policies to expand customer networks, and increases sales revenue. Among the input factors, human resources is the core factor in promoting growth. All reforms and improvements must improve human resources quality, so businesses need to actively equip their employees with the necessary knowledge to be ready for plans. The level of science, technology, and machinery and equipment is also a factor in improving enterprises' competitiveness with other businesses. With modern equipment, businesses need less labor, saving time,

saving input materials, lower costs, and better quality products.

Third, improving competitiveness by improving product quality, stable product prices, sales, and developing product's standards to meet the needs of the market, it is necessary to have a long-term strategy in "brand positioning", building up its own reputation, enterprises also need to have appropriate production strategies to take advantage of production and export opportunities in economic integration period as today.

Enterprises need to explore markets, especially new markets, to take advantage of economic integration rules, such as examining rules of origin to enjoy incentives and overcoming non-tariff barriers, trade defense measures of the market with countries that have signed free trade agreements with Vietnam.

4. REFERENCES

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