

A NUMBER OF SOLUTIONS TO THE DEVELOPMENT OF SMALL AND MEDIUM ENTERPRISES (SMEs) IN DANANG CITY

MỘT SỐ GIẢI PHÁP PHÁT TRIỂN DOANH NGHIỆP NHỎ VÀ VỪA TRÊN ĐỊA BÀN THÀNH PHỐ ĐÀ NẴNG

Vo Thi Hong Loan¹, Dang Vinh²

¹Danang City People's Committee

²The University of Danang, University of Foreign Languages; Email: dangvinh71@yahoo.com.vn

Abstract - In reality, the workforce of SMEs in Danang City is not highly professional. The lack of skilled workers and weakness of management capability, priority policies planned by the local government, solutions to developments... are the basic obstacles to the processes of socio-economic developments in Danang City. Furthermore, sources of capital, workforce development as well as the solutions to the SMEs development require higher quality, better qualification and management. Especially the planning of policies and methods for creating equality among SMEs are also essential. It is for this reason that Danang authority should develop appropriate policies and strategies in creating favorable conditions for SMEs to develop and remain stable in the context of current economic difficulties.

Key words - SMEs; socio-economic; measures/solutions; development; policies

Tóm tắt - Thực trạng của các doanh nghiệp nhỏ và vừa (DNNVV) tại thành phố Đà Nẵng hiện nay là nguồn nhân lực chưa có tính chuyên nghiệp cao, thiếu lao động có tay nghề, yếu về trình độ quản lý, các chính sách ưu tiên từ phía chính quyền và các giải pháp để phát triển... là một trong những rào cản cơ bản đối với quá trình thúc đẩy phát triển kinh tế xã hội của Đà Nẵng. Thêm vào đó, yêu cầu về vốn, nhân lực và các giải pháp cho các doanh nghiệp nhỏ và vừa ngày càng cao, các yêu cầu về việc hoạch định chính sách và có hướng giải pháp về sự bình đẳng của các doanh nghiệp nhỏ và vừa so với các doanh nghiệp khác. Từ thực tế đó, đòi hỏi thành phố Đà Nẵng phải có một số giải pháp phù hợp nhằm tạo điều kiện giúp các doanh nghiệp nhỏ và vừa thành phố có điều kiện phát triển và đứng vững trong tình hình kinh tế khó khăn hiện nay.

Từ khóa - doanh nghiệp nhỏ và vừa; kinh tế xã hội; giải pháp; phát triển; chính sách

1. Introduction

Danang City is a socio-economic centre in Central Vietnam, which has favourable conditions and potentials for all-sided developments. At present, nearly 95% of the enterprises in the city are SMEs. The contribution of SMEs to the city's GDP has gradually increased over the past years. However, due to the impacts of recent economic stagnation, Danang's SMEs with low starting points are coping with numerous difficulties. Therefore, the introduction of solutions to the SME development in Danang is really important and this is also the purpose of this article.

Small and medium enterprises (SMEs) have played an important role in creating jobs and contributed to the socio-economic developments ... However, SMEs actually expose several weaknesses: their outdated technology, weak and unprofessional management ability, limited possibilities to access bank loans ... Due to their restriction in capital, most of the enterprises have to use outdated technologies. In Danang City alone, nearly 90% of the small and medium enterprises are using average or outdated technologies which consume much fuel and lead to environmental pollution ... At the present time, interest rates at the banks have been adjusted to a lower level and the lending interest for the SMEs loans in many banks has been reduced to 15-16% per year [3]. Meanwhile, many SMEs have shown their incapability to catch up with their losses after several years coping with such adverse changes in the economy as high inflation and "escalating" prices. Currently, 60% of those enterprises encountering difficulties are in the danger of ceasing their production or business activities.

The solutions for the development of SMEs in Danang

City will inevitably involve many issues and require the attention and support not only from many agencies and branches, but also from their own efforts to overcome hindrances as well. Within the scope of this article, we mention only the most fundamental solutions for contributing to the common development of SMEs in Danang.

2. Evaluation on the Development of SMEs in Danang

In Danang City, there are currently 13,000 small and medium enterprises (accounting for 99% of all businesses). In 2011, SMEs paid VND\$ 2,800 billion to the city budget and provided more than 90% new jobs for employees. Every year, many ministries and branches and the local authority offer their support, including funding for the implementation of promotion activities to expand markets for SMEs [1]. However, the expansion of SME markets is facing many difficulties, because the general characteristics of SMEs in Vietnam as well as in Danang are that a majority of SMEs have small-scaled commodity production methods, which lack experiences in marketing and sales. Therefore, although the products made by many enterprises, private factories, cooperatives ... have good quality, their access to markets is coping with difficulties. Not only are the administration and promotion of the brands in all SMEs in Danang restricted but their technologies and production equipment are also out of date and their workforce lacks professional skills, foreign language proficiency as well as communication skill.

Of the total number of SMEs in Danang, as many as 60% are trading and service businesses, 15% of the remaining enterprises operate in different fields. The reason for these SMEs to invest primarily in the commercial and service sector is that their capital

investment is not high and their turnovers are low [1]. Most of the enterprises have not defined their development strategies. In this way, Danang's SMEs have not yet produced any products with the brands that acquire international standards [1, 5].

2.1. Capital Capacity

Currently, small and medium enterprises (SMEs) still lack capital for investment, production and business despite the fact that they have better accesses to the banks. The reason is that these SMEs have not handled basic skills in completing loan files to demonstrate the feasibility of their projects, and their repayment capacity is limited; whereas, the procedures for credit loans are not flexible enough.

2.2. The level of Human Resources

In general, the quality of the SME human resources employed is relatively high. According to the results of a survey, as many as 51.6% of SMEs said that the quality of human resources was good, 43.2% rated them as ordinary, only a small percentage (less than 4%) rated them as poor or very poor [5].

2.3. Technological Capacity and Enterprises' Needs for Technology Change

Through the survey, many businesses said that the difficulties in the transformation of technologies could result from the limitation of capital, information, choice of suitable suppliers, etc. .. Of these difficulties, the lack of capital used for the purpose of transforming technologies was rated by most enterprises as the most difficult problem to overcome, with the choice of 47.3% of the businesses.

2.4. Capacity of Products Consumption

Statistical figures show that nearly 48.3% of the enterprises have increased consumption of domestic products; while, only about 19.6% of SMEs have decreased consumption of goods and the consumption of domestic products of 32.2% of enterprises is unchanged [3].

2.5. Construction and Protection of Brands for Enterprises

According to the results of the survey, the top enterprises, mainly market development businesses account for only an average rate (47.7%). Therefore, 68.5% of the enterprises realize that their brands' value is parallel with their counter-partners'; whereas, the excess proportion accounts for only less than one fifth of all the small and medium enterprises surveyed [3]. In short, by assessing the status of the SME competitiveness in Danang City, we can summarize some of the following key features:

SMEs in Danang City do not have any advantage over capital, labor and technologies. Indeed, SMEs in the city are still operating in need of capital and large amounts of additional capital, even though their ability to contribute capital is still at a moderate level. Sources of capital and information and methods of delivery are barriers to the enterprises in the context of technological innovation.

Besides, the quality of human resources is highly valued by the enterprises. Even so, there are large numbers of

businesses wishing to improve the quality of human resources and coping with difficulties in seeking an alternative and supplementary workforce, of which the lack of human resources who have been vocationally trained remains the major reason.

3. Solutions for the Development of SMEs in Danang City

3.1. Necessary views on the SMEs Support

- Generating an equal business environment for the development of various economic sectors.

- Promoting an orientation for developments not only in supporting SMEs to overcome their obstacles.

- With limited resources, ways of support are not subsidized, but they should focus on creating the means for SMEs to help themselves.

- Developing SMEs in association with large-scaled enterprises, ensuring coherence and mutual support in the same sector. Large enterprises will play leading roles in directing markets and SMEs will act as satellites to contribute to the development of large enterprises, ensuring the relationships for mutually benefits.

- The ways of support taken into account involve training, change of management and application of technologies to business and production processes.

3.2. Solutions to Promoting the Support of Danang's SMEs

a) Creating Capital through Bank Credit Expansion

It is clear that the bank is an important financial channel. The bank's capital accounts for large amounts of the enterprises' capital for production and business. This capital can be used for the purchase and innovation of supplies and equipment, meeting the needs of the enterprises' production and business activities.

b) Expanding Forms of Financial Leasing

Due to the fact that SMEs have not sufficient capital and assets for mortgage, so the lease, especially in equipment and machinery for developing production and business will create favorable conditions for SMEs. On the one hand it will offer medium-and long-term capital for investment and on the other hand it improves product quality and enhances enterprises' competitiveness on the market.

c) Encouraging Private Sectors to Invest in Infrastructure Construction

According to Danang's long-term development plan until 2020, the city will be one of the country's major urban centers. It is for this reason that with a limited capital and budget, the city authority is unable to meet the needs of all the capital and for such great investments, so it should be better for the city government to develop mechanisms and policies to encourage private investments in infrastructure construction.

3.3. For Technical and Technological Support

Technology is not only a decisive role in the economy, the driving force for economic growth, the restructuring of production mechanism, the improvement of

competitiveness ..., but it also plays a significant role for SMEs which must constantly change and apply technologies to meeting rapid and increasing needs of change on the market.

a) Offering Loans to SMEs in Terms of Technical and Technological Change

It is obvious that financial support is a must; however, it is more important to support in whatever manner and in compliance with the principles of support. To make this support truly effective, it is essential for us to focus such capital on the right target and the right goal of capital and not to extend the investment capital. The aspects that need to be improved include technological innovation, model innovation and technological research and training.

b) Effective Operation of the Center for Consultancy and Technical Support

The government should support and encourage SMEs to apply the ISO Management System. It has a consultancy role in technology and equipment innovation. It is for this extensive role that the centre should do its best to take the lead in supporting information technology, maintain properly regular operation of the center and regularly update and propagate widely on mass media, especially the center's website, which is an online and effective two-way exchange of information in parallel with good and effective use of the hotline.

3.4. For the Solutions of Land and Premises

Most SMEs lack premises and land to conduct business and production operations and to handle business services. Some business owners must use their own homes to make enterprises transactions. But these establishments are so small that they often cause difficulties for the operation of these businesses. The city authority needs to support, creating favorable conditions for SMEs to possess appropriate space to carry on with their production and business activities.

3.5. Solutions to Product Consumption Markets

a) Encouraging the Export of the City's Major Products

For the city government, its role of promoting exports is to plan appropriate policies to facilitate and enhance the export of dominant commodities of the city.

In addition, the city government should also seek markets, orientate markets for SMEs and initiate in seeking new markets, target and potential markets.

b) Enlisting the Help from Agencies and Organizations to Promote Export

Currently, the most difficulty of SMEs is concerned with foreign market information. In order to overcome this difficulty, the city government should frequently establish relations and cooperation with commercial counselors, overseas Vietnam business agencies and rely on them to provide with necessary information about products, customers and market prices ... and introduce the sale of products in foreign countries.

c) Strengthening the Monitoring of Market Activities

To ensure the rights and interests of consumers as well

as those of SMEs, the city government should regularly examine the circulation of products on the markets so as to get rid of counterfeit and pirated products. This infringement can cause loss of customer's confidence in products, the pricing of goods, the control of markets', supermarkets', commercial centers' and retail shops' operations.

d) Expansion of Industrial Subcontracts

In the course of developing the market economy, a new system appears in the form of industrial subcontract. This is an issue that the city government should pay attention to, make good use of it and encourage this new form to develop.

3.6. Solutions to Training and Consultancy

a) Training Beginner Entrepreneurs and Enhancing Competitiveness

The objects intended are potential entrepreneurs (beginners), owners of businesses and managers who want to improve their skills, knowledge in business management, quality management, management and protection of the environment and business information and those who wish to improve their incomes such as farmers, fishermen, small traders [6, 7].

b) Developing the Market of Business Development Services

For years there have been non-governmental organizations implementing business development services in various forms and under different names such as companies, centers which have been established to support SMEs in many fields such as market research, investment consultancy, lease auditing and accounting, business planning, market information supplying, price fixing, legal document reference, organization of training classes ... The fact is that these services play important roles and positions since these economic sectors are mainly private sectors. Based on the knowledge of experts in all fields, SMEs can be offered with various pieces of advice in all specific cases. However, domestic enterprises are rarely involved and also very cautious in the application of these services. The city government should launch the programs that encourage enterprises to use these services and introduce the enterprises to the centers certified by the city government. On the other hand, the city should organize intensive seminars on business development services for SMEs and give the results of quality evaluation on these products. It also regularly checks the quality of the activities of these centers and assists them in the course of developing and improving support activities for the city's SMEs. One issue that needs to be concerned by the city authority is that the fees of these services are relatively high, so the enterprises are quite hesitant to resort to these support services.

It can be said that the current marketing activities and propaganda promoting the SME images are weak in both contents and forms. Marketing contributes to enterprises' development and expansion and helps them not only to create brands, but also to expand markets, etc... Giving a new perspective on logical marketing and PR is what the

city government can do through the invitation of experts to seminar talks, organization of learning models and forms of logical marketing in conformity with the reality of enterprises, encouragement and planning of mechanisms and policies for the development of the companies that function as organizers.

To promote business development services in Danang, the city government should carry on some of the following steps:

- Improving basic understanding and assessment of enterprises on business development services. To perform this task better, the city government should make use of mass media, especially newspapers and magazines, radios and local TV channels that broadcast programs for enterprises, business associations and clubs, career associations...

- Giving stimulus measures on the use of these services. The activities given by the authority should meet the following two demands. First, they can help enterprises fully understand services and secondly assist enterprises in understanding the importance of business development services and their benefits for enterprises through the models and typical examples, which have been successfully utilized with these services.

The city government should direct and encourage the supply of business development services to develop in quantity and quality through the activities for suppliers by including the activities of business development services in the preferential list of the city.

Making good and effective use of the expenditures spent on business development services in view of offering consultancy and paying 50% of the service fees. If initial amounts are not sufficient, the city should finance only a number of preferential enterprises and support these enterprises only after creating an abundant source of funds.

4. Conclusions and Suggestions

4.1. Conclusions

Small and medium enterprises play a very important role in the performance of socio-economic goals, especially in creation of employment and attraction of investment capital from the people. The economy will improve and develop sustainably if SMEs receive support and create an environment for development.

Since SMEs have certain advantages and limitations, they find it difficult to develop rapidly and sustainably without any support from the city government or from other organizations. Therefore, in promoting the SMS positive roles in socio-economic developments there should be some orientation and support for enterprises in their developmental processes. On the other hand, there should also be the city's strengthening of support for SMEs. The development of SMEs can be achieved only when SMEs receive effective support from the city

government and the agencies concerned by helping enterprises overcome some limitations and enhance competitiveness and increasing growth.

The above-mentioned ways of dealing with difficulties comprise the solutions to finance, credits, consumer markets, training & consultancy, trade promotion ... These solutions are made by the city government in view of strengthening the support for SMEs. They will be effective only if there is a high determination of the city government as well as proper and due attention to the SMEs in the city.

4.2. Some Suggestions to the City Government

- It is necessary to raise government agencies' awareness of the roles of SMEs in socio-economic developments of the city.

- Enhancing inspection of state agencies in the implementation of the city's policy documents and regulations on the support of SMEs.

- Checking and inspection are really necessary to the implementation of support for SMEs in the city.

- Observing and making full use of the SME support programs carried out by the Government, foreign organizations and sponsored projects.

- Taking advantage of the State legal documents in such a way that they are beneficial to the economic developments of the city.

- It is necessary to establish and operate effectively city-level information centers to collect and process data related to the city's SMEs.

- It is necessary for the city government to further strengthen the support for associations, setting up channels to disseminate information, especially the information about business laws, State policies relating to the operation of enterprises.

- Releasing the targets on the number of annually-established enterprises. This will be one of the main targets planned by the city and measures should be taken to ensure the completion of these targets.

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