

# **Entrepreneurship Development and Policy (Part 2)**

Lê Vũ Quân

# Reading List

- Global Entrepreneurship Monitor: Vietnam Report 2014, VCCI.
- Raven, P., and Q. Le (2015) “Teaching Business Skills to Women: Impact of Business Training on Women’s Microenterprise Owners in Vietnam”, *International Journal of Entrepreneurial Behaviour & Research*, 21(4): 622-641.
- Dineen, K., and Q. Le (2015) “The Impact of an Integrated Microcredit Program on the Empowerment of Women and Gender Equality in Rural Vietnam,” *Journal of Development Areas* 49(1): 23-38, 2015.

# Global Entrepreneurship Monitor: Vietnam Report VCCI, 2014

- Based on the survey results of 2,000 individuals and 36 experts.
- Provided a broad view of the entrepreneurship characteristics in Vietnam in different stages, from intending to start, to just starting, to running a new or established enterprise and even to discontinuing a business.

# Some key findings from GEM Vietnam 2014

- Only 39.4% realize the opportunities to start their own businesses and 58.2% of them are aware of their business capabilities. Averagely, in factor-driven countries, it is respectively 54.6% and 64.7%.
- The percentage of adults in Vietnam having fear of business failure is 50.1%, compared with 31.4% in factor driven countries.
- 18.2% intend to start a business in the next 3 years, lower than the average ratio of 40.2% in other factor-driven economies.
- Successful entrepreneurs are highly appreciated by the society (75.9%) and is a desirable career choice of 67.2% of surveyed adults.

# Some key findings from GEM Vietnam 2014 (cont.)

- The percentage of business start-up in Vietnam in 2014 was low, achieving only 2%. It is 4% lower than in 2013 and much lower than the average rate at 12.4% of other factor driven economies.
- Vietnamese adults start a business primarily to take advantages of opportunities (70.3%) rather than there is no better choice for work (29.7%).
- Vietnamese take the opportunities mainly to increase their income (41.5%) rather than being more independent (11.8%).

# Some key findings from GEM Vietnam 2014 (cont.)

- The rate of adults who abandoned their business activities in 2014 is 3.6%, lower than the rate of 4.3% of year 2013, including 1.6% of adults discontinued and 2% of adults sold their business which still continues to operate.
  - Three main reasons raised by Vietnamese for abandoning their business activities are personal reasons, financial problems and other problems.

# Some key findings from GEM Vietnam 2014 (cont.)

- Job growth prospects for entrepreneurship in the early stages are lower than the average rate of the countries at the same level of development.
- The entrepreneurial activities in Vietnam have low orientations for innovation and international.

# Recommendations from GEM Vietnam Report 2014

- Continuously stabilizing macro economy, re-gaining the trust of business people.
- Innovating the training programs, encouraging people to learn about entrepreneurship and improving their capabilities.
- Improving the scientific and technological content in entrepreneurship.
- Improving business conditions.
- Building and completing the programs to support business start-up and business development.
- Conducting the programs to disseminate entrepreneurial knowledge and skills for starting a business for individuals having entrepreneurial intentions, especially young people and even household businesses .



# Teaching Business Skills to Women: Impact of Business Training on Women's Microenterprise Owners in Vietnam

Raven and Le (2015)

- There is currently a debate between NGOs and academia on the effectiveness of training microcredit recipients.
  - One side suggests that merely supplying credit will stimulate entrepreneurial business.
  - The other side proposes that training microcredit recipients in business skills will improve business performance and probably have other important effects.

# Objectives of the Study

- The purpose of this paper is to examine the effects of business training programs for women microcredit recipients in rural areas of Vietnam.
- This study was undertaken with the cooperation Vietnam Women's Union and PeaceTrees Vietnam in Quang Tri province.

# Two Contrasting Views

- Yunus (1999): financial constraints are thought to be the major causes of limiting the ability of the poor to escape poverty.
- Karlan and Valdivia (2011): found teaching business skills helps clients to improve business knowledge.
  - However, they found no evidence that training improves business outcomes such as revenue, profits, or employment.

# IFC's National Survey (2006)

- Women business owners in Vietnam express a strong interest in training and education targeted specifically for women.
- This was the number one policy recommendation from the women surveyed, from a list of potential policies and programs (p. 2).

# Entrepreneurs

- Entrepreneurs have been defined in various ways, but most definitions suggest they are people who develop new and/or innovative ideas for products, business models, or markets(Nijssen,2014).
- The fact is that successful entrepreneurial firms exist across the world and entrepreneurship has become a global phenomenon.

# Informal Sector in Vietnam

- Employment generation in the informal sector, which accounts for over 70 percent of total employment.
- The ILO and MOLISA of Vietnam (2011) reported that there are 8.4 million informal household enterprises in Vietnam and the majority of jobs in these enterprises are also informal.
- The Labour Force Surveys (2010) reported that the informal sector accounted for almost 11 million jobs out of a total of 46 million, representing nearly 25 percent of all employment in 2007.

# Informal Sector in Vietnam (cont.)

- Only 15.7 percent have completed at least upper secondary school, and more than 90 percent of informal sector workers do not have any vocational training (Meißner,2011).
- The proportion of women in the informal sector is nearly 50 percent, but men earn nearly 50 percent more than women despite similar working hours, education level and seniority (ILO,2011).

# Hypotheses

- H1. Women businesses with business skills training will outperform those not receiving training.
  - Research suggests that given training in running a business, women can do as well as men, or better (Amutha, 2011).
- H2. Business training will positively affect women business owners on the following dimensions: (a) perceived success; (b) motivation; (c) trust.
  - A recent study in Bangladesh describes the multi-faceted benefits of successful women micro-entrepreneurs, including personal attributes, freedom of work, and desire to achieve higher social status (Parvin et al., 2012).



# Hypotheses (cont.)

- H3. Business training will: (a) decrease risk aversion; (b) increase perceptions of entrepreneurs.
  - Business training may reduce risk aversion, often considered an important characteristic for entrepreneurs.
  - If training decreases risk aversion, it may also increase the perceptions of being an entrepreneur

# The Survey Methodology and Data

- Survey conducted in 2012 in Quang Tri province.
- Six communes in several regions – coastal region.
- 120 women business owners participated in the survey

# Training Modules

	All participants <i>n</i> = 52	Mountainous Khe Sanh Lao Bao <i>n</i> = 12	Plains Quang Tri Trieu Trung <i>n</i> = 20	Coastal Cua Tung Cua Viet <i>n</i> = 20
	Mean and (SD)			
(1) How to diversify entrepreneurial activities	4.00 (0.80)	4.25 (0.71)	3.89 (0.83)	4.00 (0.82)
(2) Basic accounting	3.84 (0.92)	4.40 (0.89)	3.69 (0.95)	3.79 (0.89)
(3) Basic marketing	3.76 (0.80)	3.86 (0.90)	3.76 (0.75)	3.69 (0.85)
(4) Basic selling strategies	3.96 (0.76)	4.25 (0.71)	3.95 (0.83)	3.83 (0.71)
(5) Basic inventory management	3.87 (0.84)	4.75 (0.50)	3.95 (0.85)	3.53 (0.74)
(6) How to manage a business budget	4.08 (0.79)	4.40 (0.7)	4.14 (0.79)	3.82 (0.81)
(7) How to manage a household budget	4.33 (0.81)	4.80 (0.42)	4.00 (0.88)	4.42 (0.77)
(8) How to use a loan wisely	4.29 (0.84)	4.55 (0.69)	4.24 (0.89)	4.18 (0.88)
(9) Savings strategies	4.22 (0.90)	4.73 (0.65)	4.00 (0.95)	4.16 (0.90)
(10) How to grow a business with better sales and customer service practices	4.27 (0.73)	4.55 (0.69)	4.15 (0.75)	4.22 (0.73)

**Notes:** 5 = extremely important; 4 = very important; 3 = mildly important; 2 = not very important; 1 = unimportant. SD in parentheses

# Important Measures of Microenterprises

Measure	Mountainous Khe Sanh Lao Bao		Plains Quang Tri Trieu Trung		Coastal Cua Tung Cua Viet	
	<i>n</i>	Mean	<i>n</i>	Mean	<i>n</i>	Mean
Performance	37	3.09	38	3.18	32	3.08
Risk-taking	37	4.31 <sup>a</sup>	38	3.93	33	3.64 <sup>b</sup>
Values factor 1	37	4.59	38	4.64	34	4.41
Values factor 2	37	3.52	38	3.64	34	3.55
Trust	37	3.48	34	3.61	34	3.51
Perceptions of entrepreneurs	37	4.07	38	4.27	34	3.97
Motivations factor 1	37	4.46	38	4.43	34	4.07
Motivations factor 2	37	3.62	38	3.47	34	3.26
Success factor 1	37	4.12	38	4.18	34	3.94
Success factor 2	38	4.42 <sup>a</sup>	38	4.46 <sup>a,b</sup>	34	4.12 <sup>b</sup>
Problems factor 1 (business training)	37	3.48	38	3.71	34	2.84 <sup>a</sup>
Problems factor 2 (finances)	37	3.18 <sup>a</sup>	38	3.69 <sup>b</sup>	34	2.87 <sup>a</sup>
Problems factor 3 (Infrastructure)	37	3.44 <sup>a</sup>	38	3.74 <sup>b</sup>	34	2.66 <sup>a,b,c</sup>
Problems factor 4 (tax structure)	37	3.18	38	3.24	34	2.68 <sup>a</sup>
Problems factor 5 (competition)	37	3.49	38	3.45	34	2.88 <sup>a</sup>

# Tests of Hypotheses

- H1. Women businesses with business skills training will outperform those not receiving training.
  - The t-tests of differences between means indicate that women-owned businesses receiving training had higher performance than those not receiving training.
  - Crosstab analysis also supported these results. Almost all women receiving training indicated they had actually applied the training to their businesses.

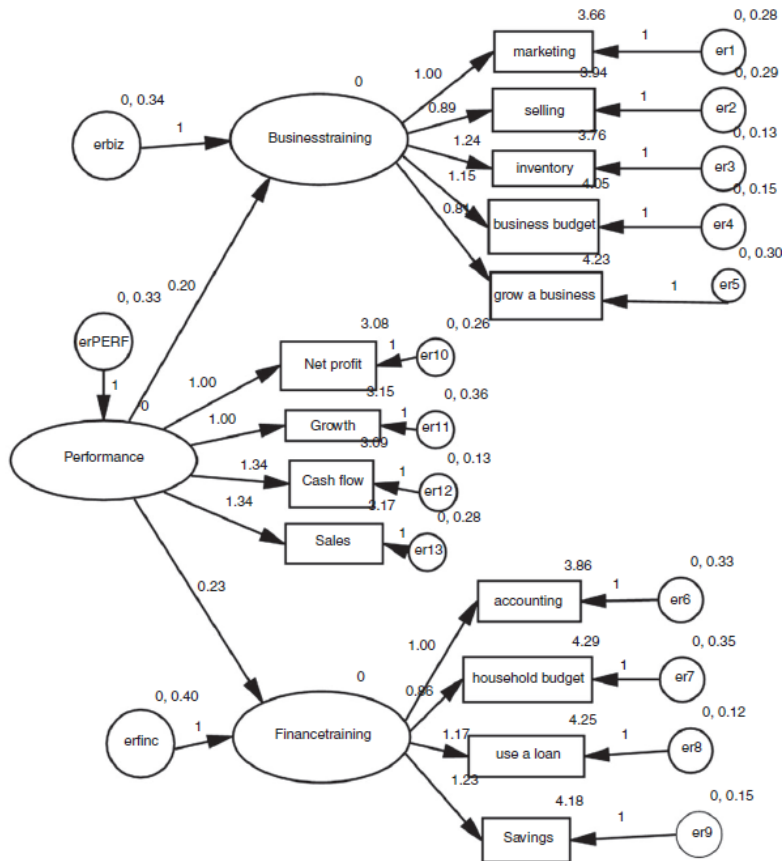
# Tests of Hypotheses (cont.)

- H2. Business training will affect women business owners on the following dimensions: (a) perceived success; (b) motivation; (c) trust.
  - Business skills and financial skills training did affect success, motivations, and trust in positive directions.
  - The results from Crosstabs analysis reveal that respondents who perceived business and financial skills training to be important tended to have higher levels of success, motivation, and trust, confirming our hypothesis.

# Tests of Hypotheses (cont.)

- H3. Business training will: (a) decrease risk averseness; (b) increase perceptions of entrepreneurs.
  - Business skills training did not affect risk tolerance significantly, but it did improve the perceptions of entrepreneurs.
  - Financial skills training did increase risk tolerance significantly ( $p < 0.10$ ), but had no effect on perceptions of entrepreneurs.

# Structural Equation Modeling (SEM)

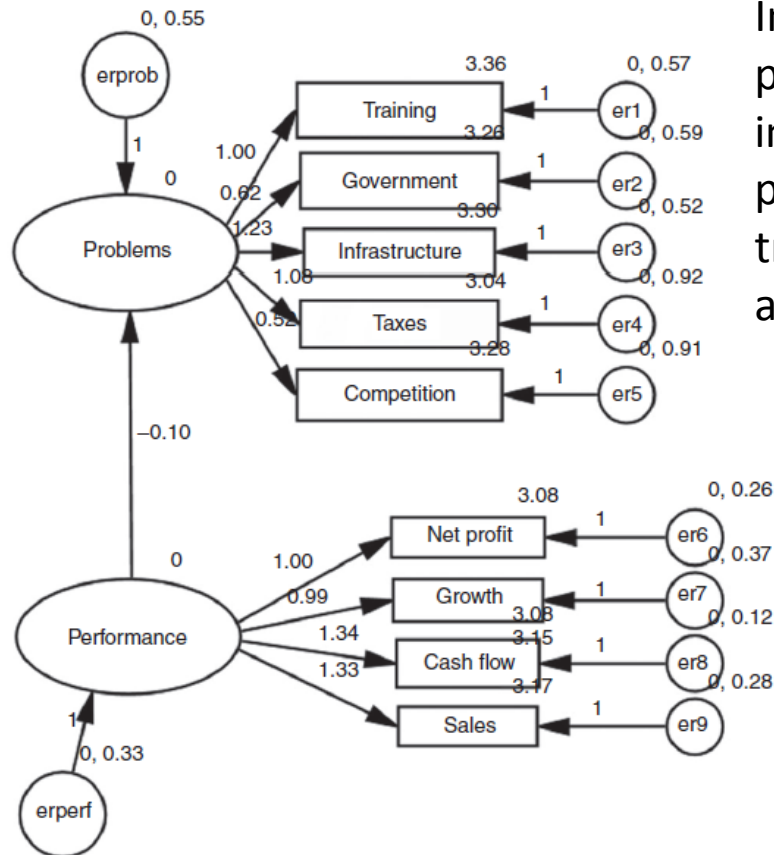


The structural regression coefficients indicate that both business training and financial training have about equal effects on performance.

Notes: Training: performance.  $\chi^2=130.004$ .  $p=0.000$ .  $df=63$



# Structural Equation Modeling (SEM)



In this case, the regression coefficient between performance and problems is negative, indicating the negative effects of problems on performance. Taxes, infrastructure, and training appear to be the greater problems affecting business performance.

Notes:  $\chi^2=44.399$ ,  $p=0.014$ ,  $df=26$

# Conclusions

- Can business training help women business owners improve their performance? This study suggests that it can.
- Business skills were more important in improving the perceptions of entrepreneurs in general, while financial skills were important in increasing tolerance to risk, an important entrepreneurial dimension.
- Even small amounts of business training can produce significant increases in microenterprise performance and improve motivation, success, trust, and perceptions of entrepreneurs in rural Vietnam.
- These factors may have long-term benefits for business owners in sustaining a business and in developing new ones.

# The Impact of an Integrated Microcredit Program on the Empowerment of Women and Gender Equality in Rural Vietnam

Dineen and Le (2015)

- Empowering women is one of the four themes of The Microcredit Summit Campaign.
- The Campaign Declaration states “experience shows that women are a good credit risk, and that woman-run businesses tend to benefit family members more directly than those run by men. At the same time, through earning an income women achieve a higher status in their homes, their communities, and their nations (Microcredit Summit).”

# Three Paradigms of Women's Empowerment Mayoux (2005)

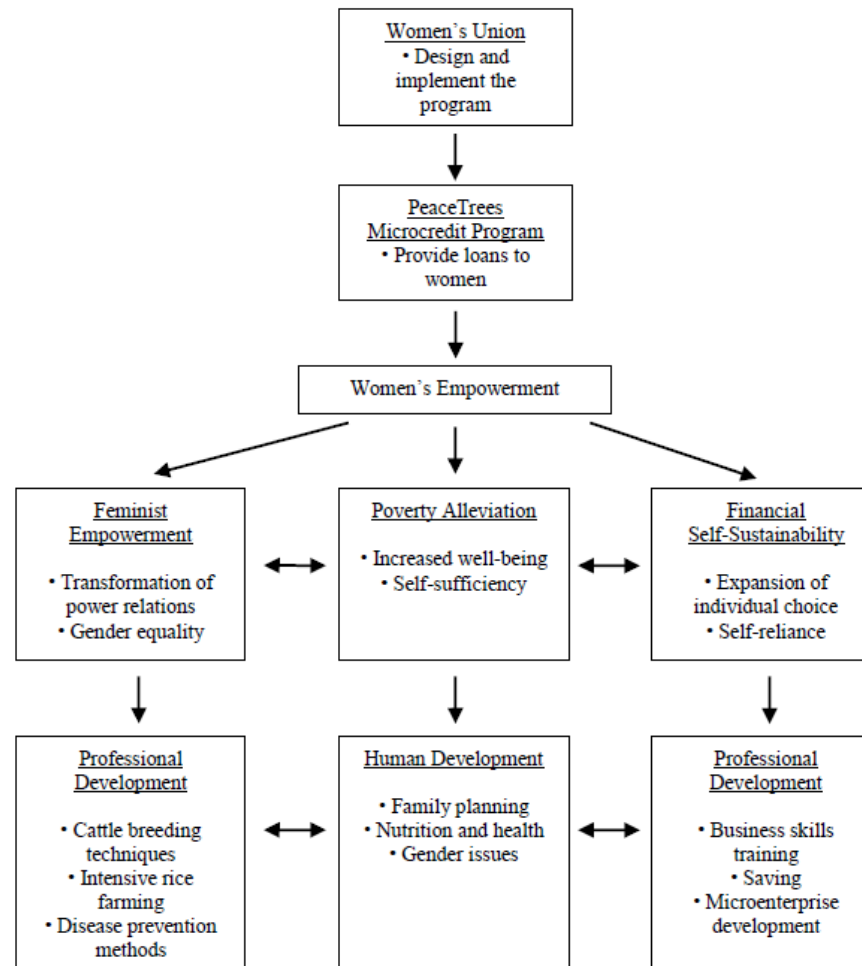
- The feminist empowerment model defines empowerment as “transformation of power relations throughout society (Mayoux, 2005, p. 4)”.
- The poverty alleviation model defines empowerment as “increased well-being, community development and self-sufficiency (Mayoux, 2005, p. 4).”
- The financial self-sustainability paradigm defines empowerment as “economic empowerment, expansion of individual choice and capacities for self-reliance (Mayoux, 2005, p. 4).”

# Objectives of the Study

- Examine the impact of an integrated microcredit program on women's empowerment in Vietnam.
- The PeaceTrees microcredit program is designed with clear objectives and activities to support poverty alleviation, self-financing sustainability, and women's empowerment.
- Conducted two rounds of surveys between 2008 and 2012 in Quang Tri province.

# The PeaceTrees Microcredit Program

FIGURE 1. AN INTEGRATED MICROCREDIT PROGRAM



# The Survey

- Questionnaires were distributed to 50 respondents by program officers from PeaceTrees and the Women's Union in 2008 and 2012.
- 12 questions related to the perceptions of women's empowerment based mostly on Malhotra et al. (2002) and Santillan et al. (2004).
  - The questions address household decision-making processes, household division of labor, dignity of women, and gender roles in society.
  - used Likert type 5 point scales anchored by “Absolutely Agree” (5) and “Absolutely Disagree” (1). A higher score implied women's perception of empowerment is high.

# Women's Empowerment Scores

**TABLE 2. WOMEN'S EMPOWERMENT SCORES IN 2008 AND 2012 SURVEYS**

No.	Question Scale from 1 to 5 (1: Absolutely not agree; 5: Absolutely agree)	2008	2012	Difference	t-Test
1	Women should be in charge of household finance	4.58	4.98	0.40	4.04***
2	Women should have their voice heard in making household decisions	4.32	4.94	0.62	4.44***
3	Women should make their own decision on purchasing major personal items without consulting their spouse	3.06	2.94	-0.12	-0.40
4	Women should make their own decision on purchasing small personal items without consulting their spouse	4.38	4.62	0.24	1.41*
5	Women should decide on family planning together with their spouse	4.78	5.00	0.22	2.85***
6	Husband and wife should be jointly responsible to educate and take care of their children	4.72	5.00	0.28	3.26***
7	Women should do all household chores even if their spouse is not working	3.00	3.50	0.50	1.57**
8	Women should discuss domestic violence issues with people who are not family members	2.96	4.70	1.74	8.30***
9	Dignity and the right to privacy are important values to women in their family	4.88	4.88	0.00	0.00
10	Dignity and the right to privacy are important values to women in society	4.76	5.00	0.24	3.28***
11	You are very confident to express your own personal views in a community meeting	4.24	4.86	0.62	4.26***
12	You are very confident to give advises to others in the village to solve daily problems	4.18	4.90	0.72	5.37***

*Note: N = 50. \*\*\* significant at 1% level, \*\* significant at 5% level, \* significant at 10% level.*



# Empirical Results

TABLE 3. MICROCREDIT AND WOMEN'S EMPOWERMENT

	(1)	(2)	(3)	(4)
<i>INTERCEPT</i>	0.059 (0.481)	-0.345*** (-3.466)	-0.047 (-0.497)	-0.345*** (-3.329)
<i>ΔINCOME</i>	0.033*** (3.847)			0.010* (2.025)
<i>TRAINING</i>		0.377*** (2.857)		0.349*** (2.495)
<i>ENCOURAGEMENT</i>		0.433*** (2.891)		0.347** (2.165)
<i>CONFIDENCE</i>		0.294** (1.963)		0.192** (2.258)
<i>SECEDU</i>			0.570*** (4.296)	0.252** (2.105)
<i>MARRIED</i>			0.259* (1.874)	0.092 (0.720)
Adjusted R <sup>2</sup>	0.23	0.67	0.48	0.68
No. of Observations	50	50	50	50

Notes: The dependent variable is the change in perception of empowerment between two rounds of surveys in 2008 and 2012. T-statistics, computed using White's adjustment, are in parentheses, \*\*\* significant at 1% level, \*\* significant at 5% level, \* significant at 10% level.

# Discussions an Conclusions

- This study supports the importance of the feminist empowerment paradigm in which empowerment is a best practice when a gender equality approach is embedded in program design, rather than an add-on benefit (Mayoux, 2002 and 2005).
- The PeaceTrees microcredit program has also addressed the poverty alleviation paradigm and the financial self-sustainability paradigm.
- For the Women's Union, microfinance is not just about providing loans to the poor, it is a means to an end rather than an end in itself.

# Discussions an Conclusions (cont.)

- The stakeholders, being female borrowers, are working towards the empowerment of women in every aspect of their lives.
- Therefore, the success of the microcredit programs is not that the borrowers repay the loan, but that the loan acts as one method of empowering the borrowers.
- Women who borrow money need a support system, they need training, and they need encouragement.

# Discussions and Conclusions (cont.)

- As Vietnamese women are becoming more empowered and involved outside the home, in many respects this engagement is creating less leisure time for women and more social, economic, and family responsibilities.
- Increased gender equality will come when women are able to share domestic responsibilities and experience less pressure from the socio-cultural norms placed on them.