

**ARTICLE**

# The Government Supporting Policy for Sustainable Development of Small and Medium Industrial Enterprises in Vietnam

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**ABSTRACT**

In recent years, the issues of sustainable development in general and enterprise's sustainable development have always been given special attention by government management agency, including small and medium-size industrial enterprises. The study conducted a survey of 316 industrial SMEs in three regions of the North, Central and South of Vietnam with the main survey subjects being managers in enterprises. The main purpose of the study is to assess the impact of the government support policies compared to other factors developed in the research model affecting the sustainable development of small and medium-sized industrial enterprises (SMEs) in Vietnam. In this research, the authors employed exploratory factor analysis to identify 4 factors affecting the sustainable development of SMEs. The research results show that the government support policies have an important role but not strongly influence human resource factors, financial factor and social responsibility (SR) policies of enterprises in their sustainable development for industrial SMEs in Vietnam.

## 1. Introduction

With the international integration movement getting deeper and wider, the issues of sustainable development in general and enterprise's sustainable development in particular in recent years have always been given special attention by government management agency. Implementation of sustainable development is the responsibility of the whole society, including the contribution of the business community. However, in order to further promote the development of businesses towards sustainability, the role of local support policies should be considered.

In Vietnam, according to the annual report of Vietnam Enterprises 2018/2019 of Vietnam Chamber of Commerce and Industry (VCCI) in terms of classification of SMEs

according to the Government's Decree No. 39, according to the labor tissue: Medium-sized enterprises are with the number of 8,518 enterprises, accounting for 1.58%; small-sized enterprises are with the number of 115,235 enterprises, accounting for 21.35%; and micro-sized enterprises are with the number of 415,835 enterprises, accounting for 77.07%. The proportion of SMEs currently accounts for 97.8% of the total number of enterprises in Vietnam. In particular, the total number of industrial SMEs in all sectors is 76,158 enterprises, accounting for 14.1% of the total number of enterprises across the country, by the end of the second quarter of 2019<sup>[1]</sup>. The number of enterprises in the manufacturing industry always accounts for a large proportion of the total number of industrial SMEs with 69,716 enterprises (accounting for 91.5%). In contrast, the number

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of enterprises concentrated in the electricity and gas distribution industry is still low, in 2018, there were 1,415 enterprises, accounting for only 1.85%<sup>[1]</sup>.

The characteristics of industrial SMEs come from the characteristics of the industry and the size of the business. Comparable to other industrial SMEs in the world, being the small size, Vietnam's industrial SMEs also have similar characteristics with other countries<sup>[2]</sup>. At present, industrial SMEs in Vietnam belong to many economic sectors with many forms of business organizations such as foreign-invested enterprises, government-owned enterprises, private enterprises, limited liability companies, joint stock companies, etc. For a long time, businesses of different sectors were not treated equally and discriminated. As a result, it affects the way businesses do business, and also creates a starting point of unequal access for resources (in bank loans or in land allocation, etc.); industrial SMEs have a limited volume of products, mainly based on manual labor, often providing only a few products and services that match the qualifications and experience of the business owner as well as the financial capacity of the enterprise; The business capital of industrial SMEs is mainly owned by the business owner, or the investment borrowed from relatives and friends, and the ability to access capital from credit institutions is low; Industrial SMEs have flexibility due to low initial investment, low labor use and local resources utilization. Therefore, industrial SMEs can easily change their production plans, business premises, business types and even easily dissolve their businesses; The industrial SMEs were established and operated mainly based on the capacity and experience of the business owners themselves, so the organization's structure is very simple, the management decisions are also quickly implemented<sup>[3]</sup>.

Based on the characteristics of industrial SMEs in Vietnam today, it can be seen that, in the long run, the sustainable development of industrial SMEs in Vietnam is necessary and consistent with the universal development movement of the world as the international integration is taking place in countries deeper and wider. The inherent characteristics of the current industrial SMEs in Vietnam mentioned above such as: limited capital, backward manufacturing technology, poor infrastructure will greatly affect the productivity or problems in addressing environmental pollution and contribution to the overall development of society<sup>[3]</sup>. These obstacles need to be overcome thoroughly to promote industrial SMEs in Vietnam towards the sustainable development in the near future.

The development of enterprises, in addition to the dependence on available resources, is supported by government policies and development assistance from government management agencies directly to the localities where enterprises' operation is really necessary for

businesses, including industrial SMEs<sup>[4]</sup>. Over the past years, the central to local political system has paid special attention to and introduced a series of supportive policies to promote SMEs in Vietnam, especially the SMEs who developing towards sustainability such as: Implementing a variety of credit packages with preferential interest rates for industrial SMEs; The Law on Supporting SMEs was passed by the National Assembly and came into effect on January 1, 2018, including 4 chapters and 35 articles, providing principles, content and resources to support SMEs; responsibilities of agencies, organizations and individuals related to supporting activities, etc. with many preferential policies, supporting SMEs in production and business. This is an important legal corridor for all sectors of the economy to join hands to support the strong development of SMEs<sup>[4]</sup>. However, from the perspective of the role and the degree of influence of the government supporting policy compared to other factors, the impact on the sustainable development of the industrial SME sector needs to be assessed and considered more thoroughly to come up with more specific, practical and feasible solutions in the coming time.

## 2. Literature Review

Apparently, SMEs play an important role in economic growth, job creation and innovation in each country; therefore, a SME in general is regarded as one of the important factors in the national innovation and sustainable development strategy (UN, 2017, p. 8). However, in reality, SMEs have to face many difficulties and challenges ranging from access to finance, scale, resources, technologies, etc., to environmental impacts<sup>[5],[6]</sup>. Most SMEs are more concerned about economic growth than environmental protection; however, economic sustainability is required because production is highly dependent on the resilience of natural resources<sup>[7]</sup>. Sustainable development of SMEs continues to become a topic of discussion in many studies. According to the World Business Council for Sustainable Development<sup>[8]</sup>, sustainable businesses can be interpreted as corporate commitment to conduct ethically and contribute to economic development, while improving workforce's quality of life, their families, local and global communities in both the present and future. Therefore, in respect to SME sustainability, it covers most aspects of economy, social attitudes, safety and the environment<sup>[9]</sup>.

However, a question is raised related to whether SMEs can afford sustainable development or not<sup>[10]</sup>. This depends not only on efforts from the business but also on government supporting policies. Most planning policies at the international, national and local levels play an im-

portant role in achieving the enterprise's sustainable development goals. With government and local participation, economic, technical and social conditions will be ensured. SMEs and new jobs are formed, and producers benefit from the supportive State subsidies' policies<sup>[11]</sup>. In order for SMEs to achieve both economic growth and higher satisfaction for customers and the community, it is necessary to improve their business competitiveness<sup>[12]</sup>. However, the major difficulty for SMEs is the capability to access to capital<sup>[13]</sup>. As a result, many countries have issued financial policies to support SMEs (World Bank, 2009).

According to Amit Bouri (2011), SME's access to capital in many countries is mainly from the banking system, but banks can often seek high profits in their core markets; therefore, they have few reasons to accept the risk of lending to SMEs<sup>[14]</sup>. The World Bank (2009) also argued that many SMEs in emerging markets often relied on informal investment such as borrowing from relatives. In view of this fact, in order to facilitate SMEs' access to capital, International Finance Institutions (IFIs) have shown strong interest in SMEs when developing donor programs. For SMEs, it combines three IFI development priority areas: developing private sectors, promoting access to finance and growth for SMEs<sup>[14]</sup>. In addition, governments have adopted a variety of measures to support SMEs to access finance, such as reducing existing legal / regulatory obstacles, applying measure to set up supportive financial market for SMEs, intervening in the direct market to promote or encourage financial support activity for SMEs (World Bank, 2009).

In order to promote SMEs' sustainable development, each country issues policies which are appropriate to its economic development conditions (UNEP, 2007). For example, in Africa, government policies often focus on three important areas of capital, capacity and knowledge as most SMEs in this region are changing their development model to pay attention to meeting the needs of low-income customers. This is why most public policies direct their Investment Funds to support investment in businesses that provide clean water, housing, health care and energy to the community with low income (UNEP, 2007). In terms of this issue, Barbara James (2007), proposed the need to educate investors about how to access financial resources; in addition, it is necessary to build the capacity and participation of local banks when developing SME supportive projects as well as training local managers in identifying, investing and promoting sustainable development for SMEs<sup>[15]</sup>.

Many countries also pay attention to environmental and social policies to support SMEs for sustainable development. G. Trufil and K. Hunter (2006) refer to the Project of

developing a sustainable development framework which is implemented in Scotland and based on a number of initiatives such as: supporting SMEs to build and comply with the provisions of the law on different environments and sustainability to improve business opportunities; Developing reporting systems for SMEs to participate in their sustainability effectiveness assessment and identify key gaps to be addressed; and Supporting the modernization of SMEs<sup>[16]</sup>. Several European governments have also implemented a number of initiatives and policies to support SMEs for sustainable development through improving competitiveness and resource efficiency. Firstly, in order to stimulate the application of sustainable development measures, governments in these countries are suggested to work with business and trade associations to clarify the rules and encourage the adoption of green practices, as well as understanding the needs of SMEs. Secondly, often when seeking support for environmental issues, SMEs often turn to local authorities, so they are well prepared to give guidance and advice to SMEs about sustainability and regulations to be executed seriously. Many essential measures are put in place by local authorities such as advertising support, information dissemination, web-based tools and direct capacity building to provide advice and guidance for SMEs to carry out "green" activities<sup>[17]</sup>.

Actually, small and medium – sized industrial enterprises are often seen as one of the drivers of economic growth, job creation and poverty reduction in developing countries. They are critical means to accelerate the economic and industrialization to be quickly achieved. In order to contribute to the overall development of small and medium – sized industrial enterprises in countries and territories, the government should provide necessary infrastructure and incentives to enhance and encourage SMEs development. They should provide more financial support to loosen strict and contradictory policies that allow SMEs to operate with fewer barriers for greater development opportunities<sup>[4]</sup>.

Kamunge et al. (2014) used the EFA factor analysis method via a questionnaire with 274 samples, selected 5 factors that affect the development of small industrial enterprises and including Government Policy factors beside other factors namely Market information services; Financial resource; Management capabilities; and infrastructure<sup>[18]</sup>. A research by Gholamhossein.H and Ali Ramezani (2016) identified factors affecting the maintenance of entrepreneurship in small and medium-sized food industry enterprises in Iran. Researchers of the study conducted in-depth interviews with 12 managers/owners of enterprises, then conducted a broad survey with 130 enterprises through questionnaires. Research findings show that social factors including customer orientation and environmental

factors include: product recycling activities, production emissions; elements of government policies have the biggest impact on maintaining entrepreneurship among small and medium-sized food industry enterprises in Iran<sup>[19]</sup>. In line with Gholamhossein.H and Ali Ramezani (2016), Umar Ibrahim (2008) with the scope of research space is a small and medium-sized industry in Nigeria's Borno state analyzed about factors affecting the performance of this industry. The study emphasized that, in order for small and medium-sized industrial enterprises to achieve production goals and to optimize efficiency, the core element is to have a suitable workforce with a refined attitude<sup>[20]</sup>. The country has a good working environment, good infrastructure and financial resources, along with the support for government policies and a fair competitive environment. The support of state management policies is necessary for small and medium-sized industrial enterprises in addition to environmental factors, business strategies and internal resources of enterprises. These enterprises are limited in resources and competitive capacity in the market compared to other large enterprises, so the support of policies given by local State management agencies is necessary and viewed as an important leverage that helps businesses achieve their long-term sustainability goals<sup>[21]</sup>.

In addition to the positive aspects from the supportive policies of the government and local authorities, some studies also point out the limitations of the supportive policies being ineffective, creating major obstacles in the sustainable development of small and medium industrial enterprises. A research by Peng Tong et al. (2019) pointed out that the existing shortcomings aimed at the sustainable development of small and medium enterprises in China in the context of low carbon economy (reduction of greenhouse gas emissions), which emphasized dissatisfaction with the Government's supportive policies because of cumbersome administrative procedures, high informal costs and inadequate financial support for credit<sup>[22]</sup>. A research by Nuong.L (2018) used a linear structure model (SEMs) to identify and evaluate the influence of factors that are barriers affecting the development of small and medium-sized industrial enterprises. In Thai Nguyen, a province of Vietnam, the study found that the local Supportive Policy factor creates a larger barrier than the enterprise's human resources and raw material factors, in addition to factors related to financial capability and competence to access to finance<sup>[23]</sup>. Ghosh et al. (2011) combined the analysis of key success factors for small and medium-sized industrial enterprises and the factors hindering SMEs' development in Singapore / Malaysia and Australia/New Zealand. The research results indicate that the factor hindering the success of businesses in both

Singapore and Australia is the high cost of doing business due to lack of support from the Government. However, the level of the impact level in Singapore is greater<sup>[24]</sup>. Or the study of Mashenece et al. (2014) with the scope of research in African countries, using multivariate regression models that showed the growth and development potential of SMEs depending on convenient business environment. However, most countries in Africa are facing many challenges that may hinder their growth potential, including the bureaucracy factor in business registration at the State management agencies in the locality. The study also emphasizes that the Government needs to be more transparent in facilitating the resolution of business procedures for SMEs in order to create a better competition in the market<sup>[25]</sup>.

In general, basic studies have highlighted the role of government support policies for the sustainable development of SMEs industrial enterprises in particular. Considering the scope of research in Vietnam, this issue has not been reviewed and evaluated in detail. Therefore, this study is necessary to assess the role and impact of the government supporting policy in reality from the locality compared to other factors affecting the sustainable development of small and medium-sized industrial enterprises in Vietnam.

### **3. Methodology**

#### **3.1 Data Collection Methods**

Collecting secondary data through published articles and research works related to domestic and foreign research topics to clarify the urgency of the topic.

Collecting primary data through in-depth interviews with experts and managers in small and medium-sized industrial enterprises in Vietnam to develop an official questionnaire, then use a convenient sampling method to survey collected feedback data of business managers on the impact of corporate social responsibility activities on industrial SMEs sustainable development in Vietnam. The questionnaire uses the Rennis Likert scale (also known as the Likert scale), the Likert scale with 5 levels of low to high scores, ranging from 1-5 as follows: 1. Strongly disagree; 2. Disagree; 3. Normal; 4. Agree; 5. Strongly agree.

The total number of votes issued was 350, collecting 331 votes. The number of valid votes for data processing was 316 votes.

#### **3.2 Data Processing Method**

Primary data, after being collected, was processed in SPSS 23.0 software. The study tested the reliability of a scale using Cronbach's Alpha coefficient, which is a

**Table 1.** Measurement scale and source to construct the scale

Scale	Encode	Question	Source
Government supporting policy	CS1	Accessing the production premises easily	Nuong.L (2018) <sup>[23]</sup> and Hai Hung.D (2020) <sup>[26]</sup>
	CS2	Supported to participate in social activities	
	CS3	No difficulty in handling administrative procedures	
	CS4	Preferential tax policies in production and business activities	
	CS5	Enterprises are informed the change of environmental protection policy promptly	
	CS6	Accessing credit resources supported by the Government easily	
Operational factors of corporate social responsibility	TN1	Participating vocational training programs for young people in the community	Phan Van Dan (2012) <sup>[27]</sup> ; Duygu. T (2008); Mujahid .A (2014) <sup>[28]</sup> and Hai Hung.D (2020) <sup>[26]</sup>
	TN2	Participating in construction of clean water and sanitation programs for the community	
	TN3	Participating in training, improving capacity and social knowledge for the workers	
	TN4	Participating in contribution of social activities in the locality	
	TN5	Focusing and paying attention on issues of environmental pollution treatment	
	TN6	Complying with the provisions of the law on ensuring food and environmental safety	
The resources of enterprises	NL1	Current financial resources are sufficient to expand business activities	Umar Ibrahim (2008) <sup>[20]</sup> and Hai Hung.D <sup>[26]</sup>
	NL2	Current financial resources are sufficient to sustain the business activities	
	NL3	Human resources in enterprises have good working capacity	
	NL4	Annually, the number of qualified employees in the enterprise is becoming higher and higher	
	NL5	After training, labor is more productive	
Enterprise management capacity	QL1	The management apparatus of the enterprise has all the skills of business administration	Mujahid .A (2014) <sup>[28]</sup>
	QL2	The management apparatus of the enterprise is fully qualified to manage and run the business	
	QL3	Every year, managers participate in training programs to improve management capacity	
	QL4	Enterprises have access to training programs to support management capacity	
The sustainable development of SMEs in Vietnam	BV1	Enterprises always have high profits and grow steadily every year	Dan.P.V (2012) <sup>[27]</sup> and Hai Hung.D (2020) <sup>[26]</sup> .
	BV2	Enterprises can expand production and business markets	
	BV3	Enterprises are recorded for environmental protection in production	
	BV4	Enterprises have made positive contributions to local environmental protection activities	
	BV5	Enterprises are always highly appreciated by local agencies for their contribution to local social activities	
	BV6	Enterprises always create motivation to work for labor	

(Source: Summary of the author).



statistical test of the degree of rigor with which the items in the scale correlate. Then, conduct Exploratory Factor Analysis (EFA) to check the unidirectionality of the scales in the study. Finally, the study uses multivariate regression methods to evaluate the impact of the operational factors of government supporting policy compared to the following factors: Corporate social responsibility of enterprises; Enterprise management capacity and resources of enterprises to the sustainable development of small and medium industrial enterprises in Vietnam.

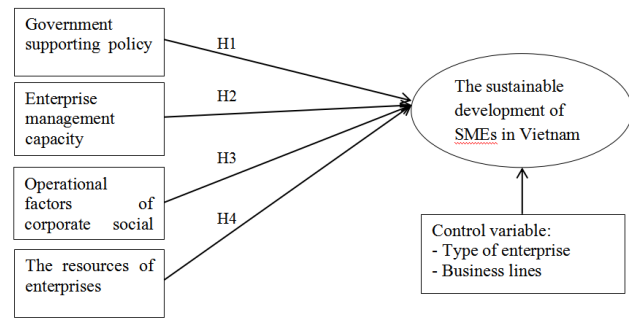


Figure 1. Research model

### 3.3 Research Models

Hypothesis H1: The government supporting policy element has a positive influence on the sustainable development of industrial SMEs in Vietnam.

Hypothesis H2: Factors of enterprise management capacity, positively affecting the sustainable development of industrial SMEs in Vietnam

Hypothesis H3: Operational factors of corporate social responsibility have a positive influence on the sustainable development of industrial SMEs in Vietnam

Hypothesis H4: The resources of enterprises have a positive influence on the sustainable development of industrial SMEs in Vietnam.

### 3.4 The Scale

The scales in the study are described in detail in Table 1.

## 4. Research Results

### 4.1 Descriptive Statistics Research

The number of industrial SMEs by geographic area after collecting survey data can be seen that the enterprises participating in the survey are available in the Northern, Central and Southern regions. The percentage of feedback collected in the North accounted for the largest proportion (39,6%), followed by the South (32,9%) and the Central (27,5%).

Survey results of industrial SMEs in Vietnam by in-

Table 2. Number of surveyed enterprises by geographical area

Geographical Area	Size	Micro	Small	Medium	Density by region (%)
Northern region		56	45	24	39,6
Central region		35	37	15	27,5
Southern region		40	41	23	32,9
Total number of Enterprises		131	123	62	100

Source: Research sample statistics of the authors

Table 3. Number of surveyed enterprises by industry and size

Geographical Area	Size	Micro	Small	Medium	Total	Density by Industry (%)
Mining		19	23	15	57	18
Processing and manufacturing		59	71	35	165	52,2
Producing and distributing electricity and gas		16	21	25	62	19,6
Water supply, water treatment and waste disposal		11	12	9	32	10,2
Total number of Enterprises		105	127	84	316	100
Density by Size (%)		32,3	54,8	12,9	100	100

(Source: Research sample statistics of the authors)

dustry and size are presented in detail in Table 3. Out of 316 valid surveys, the number of SMEs in the industry processing and manufacturing accounted for the largest proportion (52,2%); the number of enterprises in the water supply, water treatment and waste disposal industry accounts for the least proportion (10,2%).

**4.2 Verify the Reliability of the Scale**

The scales are assessed for reliability through Cronbach’s Alpha coefficient. The results of calculating this coefficient indicate that 4 groups of factors have Cronbach’s Alpha coefficient greater than 0.6 (Table 3). All observed variables have correlated-total variables > 0.4. Therefore,

the factor scales affecting the sustainable development of small and medium enterprises in Vietnam are eligible for EFA analysis.

**4.3 Exploratory Factor Analysis EFA**

The results of the EFA discovery factor analyse all factors affecting the sustainable development of SMEs in Vietnam for the value of KMO (Kaiser-Meyer-Olkin) = 0.7128 > 0.6. Therefore, factor analysis is consistent with the research data obtained. The Bartlett’s test value with the hypothesis (H0) is “non-correlated variables” with the value Sig = 0.00 < 0.05.

After conducting EFA discovery factor analysis, 6 fac-

**Table 4.** EFA factor analysis results and assessment of reliability of the scale

Factors	Factor Loading					
	1	2	3	4	5	6
<b>Cronbach’s Alpha</b>	0.761	0.724	0.753	0.699	0.817	0.778
QL3	0.811					
QL2	0.775					
QL1	0.754					
QL4	0.706					
CS2		0.781				
CS3		0.772				
CS1		0.741				
CS4		0.702				
CS6		0.682				
CS5		0.665				
TN2			0.816			
TN3			0.785			
TN1			0.767			
TN6			0.752			
TN5			0.712			
TN4			0.684			
NL1				0.725		
NL2				0.672		
NL3					0.845	
NL4					0.826	
NL5					0.785	
BV1						0.826
BV3						0.801
BV4						0.778
BV2						0.762
BV5						0.725

(Source: Results of data analysis through SPSS 23.0 of the authors).

tor groups were extracted from 26 indicators. The result of data processing for Eigenvalues value = 1,162 > 1, so it can be confirmed that the number of factors extracted is appropriate. Total Variance Explained of factor analysis is 58,241% > 50%. This means that the extracted factors account for 58,241% of the observed variables included in the EFA analysis.

The results of EFA analysis show that the enterprise resource factor group is extracted into 2 separate groups of factors: NL1, NL2: financial resources and NL3, NL4, NL5: human resources.

#### 4.4. Regression Analysis

Regression analysis results in the value of R = 0.612 and adjusted R2 is 0.604. This means that the relationship between the independent variables explains 60.4% of the dependent variable as “Sustainable development of small and medium industrial enterprises in Vietnam”. Through ANOVA analysis results, the value of F = 60,412 with statistical significance Sig = 0.001 < 0.05. It can be confirmed the existence of relationships between independent variables and dependent variables. Thereby, showing that the research model ensures reliability.

Based on the Beta coefficient in Table 5, it can be seen that the factors in the research model, the human resources factor (NL) have the largest Beta standardization factor = 0.256. The policy support element of the Government (CS) has the lowest Beta coefficient = 0.165. Sig value. of all variables < 0.05. Therefore, the hypotheses H1, H2, H3 and H4 proposed in the research model are all accepted. The non-standardized regression model of the factors affecting the sustainable development of small and medium enterprises in Vietnam is determined as follows:

$$BV = -1,312 + 0,256 * NL + 0.235 * TC + 0.189 * TN + 0.223 * QL + 0.165 * CS \quad (1)$$

Based on the regression equation (1), it can be seen that the human resource factor (NL) has the greatest impact on the sustainable development of small and medium industrial enterprises in Vietnam. Next are the factors of enterprise management capacity (QL), factor of financial resources (TC), Activities of social responsibility (TN) and finally the support policy of the Government (CS). It can be explained here that, for the industrial SME sector, the incentives from government support policies have a direct impact and clearly affect the existing limitations of the industrial SME sector. For example, business strategies, access to finance or unnecessary bureaucratic procedures which increase costs, creating barriers for businesses towards sustainable development in the long term. However, compared with the factors of internal resources of the enterprises, the support from the government policies is not really strong. Enterprises need to have large enough resources to absorb maximum support from the government to be able to develop sustainably in the long term.

#### 4.5 Testing Statistical Hypotheses

Using Anova’s variance analysis to determine the differences of types of businesses and industries participating in the survey. In this analysis, the coefficient of concern is the Sig coefficient. The hypothesis H0 poses is that there is no difference in the sustainable development of enterprises by business sector and type of enterprise. If the Sig coefficient is > 0.05, reject the H0 hypothesis, which means that there is a difference in the type of business and business lines in the field of SMEs development in Viet-

**Table 5.** Beta coefficients after performing regression

	The coefficient is not standardized		Standardized coefficient	Testing value t	Level of significance Sig.
	B	Standard error	Beta		
(Constant)	-1,312	0,265		-3,252	0,000
CS	0,471	0,032	0,165	5,311	0,001
NL	0,535	0,046	0,256	5,455	0,000
QL	0,126	0,031	0,239	3,562	0,005
TC	0,112	0,036	0,235	3,258	0,012
TN	0,248	0,056	0,189	5,341	0,021

(Source: Results of data analysis through SPSS 23.0 of the authors).



nam. If Sig <0.05, accept hypothesis H0.

The testing results of all groups of enterprises by type and business lines give Sig value <0.05. Specifically, testing the differences by type of enterprise has a value of Sig = 0.018; Testing difference by business lines has value of Sig = 0.005. Therefore, reject the H0 hypothesis.

## 5. Conclusions

The research results show that the government support policies factor has the weakest on the 5 factors affecting the sustainable development of industrial SMEs in Vietnam with a coefficient of  $\beta = 0.165$ . This proves that supportive policies from the government, in particular relevant agencies and agencies, and the local SME association play an important role in promoting industrial SMEs towards sustainable development. Therefore, through the research results, the author proposes a number of solutions and recommendations to the state management agencies to promote the industrial SMEs in Vietnam towards sustainable development, specifically as follows:

Firstly, maintain and improve the quality of the investment environment in localities, especially local planning for industrial development. Create mechanisms for relevant policies for industrial SMEs in a more open manner such as administrative procedures, tax policies, land use policies, etc. to ensure transparency and accountability in public administration. In addition, People's Committees at all levels in localities need to develop specific land planning to create favorable conditions for industrial SMEs to deploy construction and manufacturing in areas with favorable transportation, separating from residential areas but still ensure satisfactory service infrastructure.

Secondly, strengthening the deployment of training support activities to improve labor productivity for businesses. Specifically, relevant government departments such as: Department of Labor, War Invalids and Social Affairs, Department of Planning and Investment, etc. in provinces and cities must be a bridge between businesses and quality education & training institution in the local area to coordinate the deployment of knowledge and skills training courses for employees and managers in businesses to gain access to advanced technology to apply in manufacturing.

Thirdly, strengthen the role of the SME Association in localities and other business associations in the area to promote the development and cohesion among SMEs, including industrial SMEs. Supporting and promoting the operation of the SME association is necessary in the current highly competitive market economy. In addition, through these associations, businesses can timely access to new policies, new legal documents of the Government

on sustainable development.

Fourthly, actively propagandize, encourage and honor industrial SMEs to deploy, apply sustainable business and production models, use clean production technology, and effectively use natural resources and environmental protection.

Fifthly, there are mechanisms and policies to support preferential credit sources for new businesses going into operation but producing clean, environmentally friendly products, applying advanced technology in production. Need to diversify capital access channels for industrial SMEs. Encouraging associated credit institutions to create a database system for SMEs in general and industrial SMEs in particular, and at the same time need to be transparent about necessary criteria on access to credit for businesses.

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