

Development of Small and Medium-Sized Enterprises in An Giang After Vietnam's WTO Accession

MEcon. TÔ THIỆN HIỆN

The Vietnam Communist Party and the Government affirm to build a market economy, thus creating favorable conditions for expansion of all sectors, especially for the small and medium-sized enterprises (SMEs). When Vietnam undertakes its commitments to the AFTA and WTO, as well as multilateral and unilateral agreements, these are both opportunities and challenges to Vietnam's SMEs in the international economy.

1. SMEs Development: A Must

When Vietnam joins the WTO, it will be faced with a series of SMEs development. In the country's strategy for business expansion, SMEs must be given priority because they generate millions of jobs and income for the economy.

Vietnamese regulations state that SMEs are "independent business entity having legal registration, capital of not more than VND10 billion and annual working population of 300 or less". Accordingly, most of An Giang businesses are SMEs. They account for over 98 % of total local businesses. Although SMEs have fewer advantages than large companies, and state-owned and foreign-invested companies, provincial SMEs have implemented an extremely important role in dealing with local social problems, for example, hunger eradication and poverty alleviation, employment...and thus made good contributions to the province's socio-economic performance.

SME is an inevitable component of the economy and has inseparable relationship with other sectors. They are symbolized by their premature status and lower competitiveness, so they are badly in need of supportive policies. In the process of integration, SMEs could make the best use of comparative advantages to survive and develop. As a result, if SMEs are not intensified, the country's integration will face a lot of hurdles.

2. Facts of An Giang SMEs Development from 2002 to 2006

2.1 The history of SMEs development

SMEs have helped boosted up local socio-economic achievements by providing people with jobs and income. SMEs are really important resources

Table 1: Performance of An Giang SMEs development from 2002 to 2006

| Indicator | Unit | 2002 | 2003 | 2004 | 2005 | 2006 |
|------------------------|---------|--------|--------|---------|---------|---------|
| Total number of SMEs | | 49,445 | 53,991 | 60,112 | 64,710 | 70,262 |
| 1. Sole proprietorship | Entity | 47,754 | 52,132 | 57,860 | 62,262 | 67,515 |
| - Registered | Entity | 5,032 | 4,378 | 5,728 | 4,402 | 5,253 |
| - Total investments | VNDbil. | 873 | 1,045 | 1,294 | 1,468 | 1,705 |
| - Total labor | Person | 87,556 | 96,443 | 106,860 | 111,328 | 118,117 |
| 2. Companies | | 1,691 | 1,859 | 2,252 | 2,448 | 2,747 |
| Including: | | | | | | |
| - Limited liability | Entity | 236 | 302 | 388 | 463 | 609 |
| - Joint stock | Entity | 18 | 25 | 34 | 46 | 53 |
| - Private | Entity | 1,437 | 1,532 | 1,830 | 1,939 | 2,085 |
| - Total investments | VNDbil. | 1,760 | 2,054 | 2,786 | 3,231 | 4,331 |
| - Total labor | Person | 21,145 | 23,047 | 29,848 | 32,645 | 35,358 |

(Source: The An Giang Service of Planning and Investment)

The provincial authorities have executed the Government's Decree 90/2001/NĐ – CP dated November 23, 2001 on "Assistance to SMEs development" over the past years. Local SMEs are increasing in terms of number and size. In early 2002, the whole province housed 1,691 private businesses and 2,747 by the end of 2006, representing 163% of the figure in early 2002 (up 1,056 businesses). The province's number of sole proprietorship reached 47,754 in early 2002 and 67,515 in 2006, equivalent to 141% of the figure in early 2002 (up 19,761 entities). In this expansion trend,

for the province's socio-economic development programs including employment and hunger eradication – poverty reduction ones. They have generated more 44,774 jobs over the past five years (2002 – 2006), of which 30,651 jobs were offered by sole proprietorship. Most of employment is involved in production of garments and seafood for export. The per capita monthly salary is VND800,000; VND1,800,000 at most and VND600,000 at least. High paid jobs are provided by food export companies and low paid ones by construction businesses.

Table 2: Tax revenue from SMEs in An Giang from 2002 to 2006 (VNDmil.)

| Year | 2002 | 2003 | 2004 | 2005 | 2006 |
|--|---------|-----------|-----------|-----------|-----------|
| - Total provincial tax revenue | 882,055 | 1,090,200 | 1,465,612 | 1,641,264 | 1,879,460 |
| - Total tax revenue from SMEs | 53,361 | 83,236 | 113,065 | 170,573 | 225,079 |
| - Tax revenue from SMEs / Total provincial tax revenue (%) | 6.05 | 7.64 | 7.72 | 10.39 | 11.98 |

(Source: An Giang Tax Bureau)

The tax bureau's statistics show SMEs' tax payment accounted for a large percentage in the local government revenue in the 2002-2006 period. They paid a combined tax of VND53,361 million in 2002 and up to 225,079 million in 2006, accounting for 422% of the figure in 2002 (up VND171,718 million).

SMEs are facing a shortage of knowledge and information about markets, rules, regulations, business practices, experience and professional skills in contacts, negotiations in addition to low quality of their goods and services. Moreover, they also lack association and cooperation among them. This is a key disadvantage of Vietnam's current SMEs.

An Giang SMEs are on the whole dynamic and fast adaptive to market changes, for example, the US anti-dumping case of Tra, Basa fish prices. Their competitive edges are increasingly sharpened. They help maintain and improve traditional occupations and careers such as brocade textiles, glass paintings, silk textiles... They produce commodities and services and distribute them to remote and distant outlets including mountainous areas where there is no sales of large companies, thus improve living conditions of residents in these areas.

2.2. Shortcomings in the process of SMEs development

- The province is far away from big cities and its infrastructures remain poor. This causes obstacles to SMEs' investments.

- Although the An Giang University and training centers have opened a lot of long and short courses in business start-up, management, finance and accounting, the SMEs' management skills are restricted.

- SMEs often lack strategies for business and market expansion, so their competitiveness is lower than those in big cities such as HCMC, Hà Nội, Hải Phòng...

- The province has an abundance resource of labor (more than 1.3 million persons in the workforce; however, the trained labor account only 14.5% (188,500 workers). The majority is unskilled labor.

- The institutions and policies supporting SMEs expansion are not timely, in unison, and consistent because the policy implementation is not the same from central to local government, especially in the field of investment encouragement and incentives. Many provinces give more incentives than regulations to allure investors. In addition, the policy on credit guarantee is hardly implemented due to complicated and impractical procedures.

3. Some Measures to Enhance An Giang Smes Development

- Helping professionalize SMEs' business by granting supports and incentives to their technological and equipment innovation.

- Encouraging SMEs' operations in combination with environmental protection improvement of working conditions; and advising them to meet international practices and regulations on exports.

- The local university, vocational schools and training centers as well as the An Giang Center for Trade-Tourism-Investment Promotion should soon conduct market investigations with a view to helping SMEs raise their product quality in terms of packages and designs. These institutions also build and train the local human resources for business start-up and market participation.

- Investing in construction of road networks, industrial clusters in districts, towns and cities; and granting soft loans and credit guarantee to SMEs, especially in challenging areas such as Tri Tôn, Tịnh Biên, Thới Sơn, and An Phú.

- Perfecting the legal regulations

in accordance with the transformation process; liberalizing the business climate and mechanism for all business entities; and giving priorities to SMEs involved in traditional occupations.

- Facilitating SMEs' market entrance, for example, simplifying procedures of business and tax registration, land leasing, construction, etc.

- Helping SMEs take part in national and international conferences on development of traditional occupations; build brands and trademarks and get access to information about technologies, markets and managerial skills.

- Establishing economic association between sectors, large companies and SMEs; and rectifying policies on accounting and bookkeeping.

Suggestions:

+ The central government should amend regulations on state credit of investment incentive so that SMEs get easy access to loans in order to expand their business. Moreover, the government's policies need be decentralized to help the local authorities fulfill their tasks successfully positively.

- The Government should pay attention to investments in hub infrastructures including bridges, roads, airports, ports...and social welfare facilities, for example, education and training.

+ The Government is proposed to reallocate the excess amount of the provincial revenue to the local government to increase supports to SMEs ■

REFERENCES:

- An Giang Service of Planning and Investment, General reports on SME development in 2005, 2006.
- Đặng Đức Đạm, 1997, *Vietnam's economic renovations: Facts and prospects*, Hà Nội, Tài Chính Publisher.
- Government Decree 90/2001/ ND – CP dated November 23, 2001 on "Assistance to SMEs' development".
- National Committee for International Economic Cooperation, 2006, *Vietnam's accession to the WTO: Opportunities and challenges*, Hà Nội, Lao Động Publisher.