



Whilst there is no one generally-accepted definition of ‘entrepreneur’ in both the scholarly and policy literature, the important economic and social contributions of small business owners and operators are widely acknowledged. Entrepreneurship has been a topic of research for around 80 years, but attention to women’s entrepreneurship has only emerged as recently as 40 years ago. There is much that remains to be understood about women entrepreneurs in general, and women entrepreneurs in developing country contexts in particular.

Small and medium-sized enterprises

The common thread that runs through definitions of ‘entrepreneur’ and ‘entrepreneurship’ relates to the ownership and operation of businesses that are considered to be ‘small’ relative to ‘large’ corporations. As in the case of definitions of what an ‘entrepreneur’ is, there is likewise no widely accepted definition of what small and medium enterprises (SMEs) are.

The World Bank’s International Finance Corporation (IFC) defines small and medium enterprises (SMEs) as ‘registered businesses with less than 250 employees’. They are viewed as significant contributors to employment and economic growth, and are associated with the formalisation of a country’s economy. However, in spite of the important role that they play, SMEs typically encounter difficulties in accessing financial services – particularly in emerging markets – due to their size.

Criteria used to classify a business as an SME varies from country to country, and typically include elements such as total number of employees, total assets, and total revenue.

In Vietnam, enterprises are classified based on a combination of their **total assets**, **total staff**, and **sector**. The government’s Decree No. 56/2009/ND-CP has the following definitions:

- **small enterprise** – an enterprise with total assets valued at less than VND20 billion (or roughly AUD1.1 million), employs between 10 and 200 staff, and operates either in agriculture or in the industry and construction sector.

For enterprises operating in the trade and services sector, a small enterprise is one with total assets valued at less than VND10 billion (or roughly AUD570,000), and employs between 10 and 50 staff.

- **medium enterprise** – an enterprise with total assets valued between VND20 and 100 billion (or roughly between AUD1.1 and 5.7 million), employs between 200 and 300 staff, and operates either in agriculture or in the industry and construction sector.

For enterprises operating in the trade and services sector, a medium enterprise is one with total assets valued between VND10 and 50 billion (or roughly between AUD570,000 and 2.8 million), and employs between 50 and 100 staff.

An economy dominated by micro enterprises

Based on these definitions, the Vietnam General Statistics Office (GSO) indicates that in 2015 there were around 402,326 active enterprises in the country. An estimated 24% of these businesses were classified as small, and less than 2% were classified as medium. Around 2% of businesses in the country were classified as large, while the vast majority (72%) were micro enterprises.

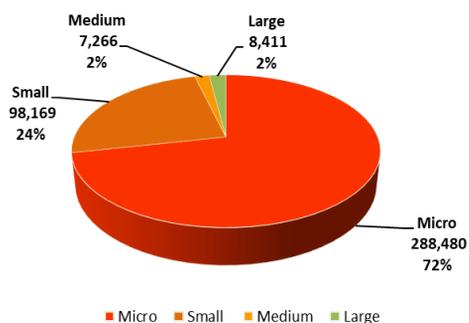


Figure 1. Enterprises by size (2015)

Significant employment contributions

While SMEs tend to employ fewer people, their collective contribution to employment in the country is significant. In 2015, it is estimated that SMEs accounted for around 52% of jobs in Vietnam. This is noteworthy when taken in light of the estimated contribution of large enterprises to employment in that year (41%).

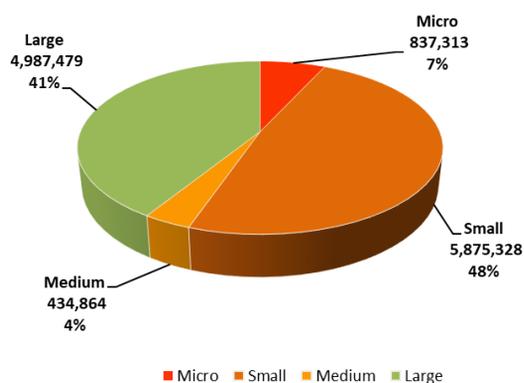


Figure 2. Employment generated (2015 estimates)

Sectoral concentration in SME activity

Around 27% of all SMEs in the country were operating in **manufacturing**, 23% were operating in **construction**, while a further 22% were engaged in **wholesale/retail trade**. These sectors also attracted the largest numbers of micro and large enterprises. Indeed, almost 69% of all businesses in the country were operating in these 3 industries in 2015.

Closer inspection of the data shows that while a large number of SMEs operated in the wholesale/retail trade sector, SMEs accounted for only 15% of all businesses in this micro enterprise-dominated industry. In light of this, it is important to identify the sectors where SMEs comprised a significant proportion of businesses.

Further analysis shows that SMEs comprised close to 50% of enterprises operating in the **mining and quarrying** industry. In the **human health and social work** sector, around 48% of all businesses were SMEs.

By contrast, the industry with the lowest concentration of SMEs was **wholesale/retail trade**, where they comprised only 15% of all enterprises. Other industries that had among the lowest concentrations of SMEs in 2015 were **professional, scientific and technical activities** (where SMEs represented only 18% of businesses), **education and training** and **arts, entertainment and recreation** (where SMEs represented only around 21% of businesses). These industries were largely dominated by micro enterprises (which comprised more than 75% of businesses in those sectors).

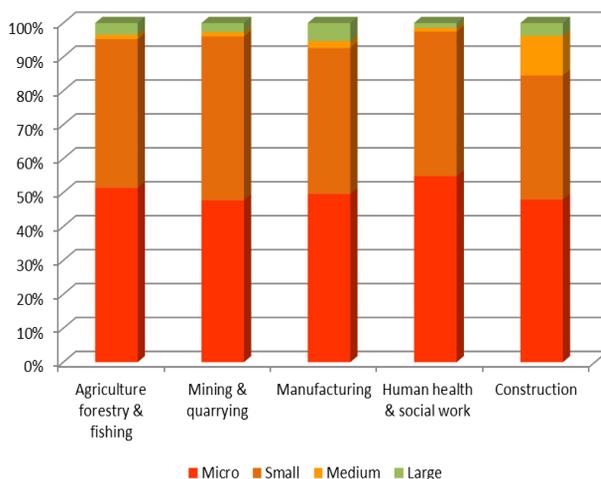


Figure 3. Industries with the highest concentrations of SMEs (2015)

Possible barriers to transitioning to SME status

The dominance of micro enterprises coupled with generally low concentrations of SMEs potentially point to industries where businesses may be experiencing considerable issues related to growth. Enterprises may be encountering significant barriers to expanding their businesses, and may thus be finding it difficult to make the transition from micro enterprises to SMEs.

While the low concentration of SMEs in certain industries may be explained by factors such as the nature of the market, or the presence of large, monopolistic players, the issue of why micro enterprises seem to be unable to transition into SMEs is worth investigating further. For example, it may be symptomatic of a lack of (or inability to access) financial, technological or managerial resources on the part of micro and small enterprises. These resources are critical to not only support the transition of micro enterprises to SMEs, but also to aid in scaffolding the growth of existing and new SMEs.

Women-owned SMEs (WSMEs)

While the definition of an SME varies across countries, individual governments typically do not have a definition of what a woman-owned SME (WSME) is, beyond simply tagging an enterprise as 'owned' by a woman. Yet an enterprise can be owned by a single individual or a group of individuals. The extent of individual ownership in the company can range from a minority stake to full

ownership, and both men and women can collectively own a single enterprise.

To deal with this complexity, the IFC has put forward a more precise definition of a WSME as a business:

- where 51% of ownership is held by a woman or women; or
- where 20% of ownership is held by a woman or women, where a woman holds a major leadership position (CEO/COO or president/vice president), and where 30% of the board of directors is composed of women.

There are limited statistics on the gender of SME owners and their enterprises in Vietnam. According to the Vietnam GSO there were around 26,000 WSMEs, accounting for around 25% of all micro, small, and medium enterprises (MSMEs) in 2013. The majority of WSMEs are small or micro enterprises with the ratio 72% and 27% respectively. Based on available data, it is estimated that in 2015, there were around **33,000** WSMEs in Vietnam, comprising around **30%** of all SMEs in the country (Figure 4).

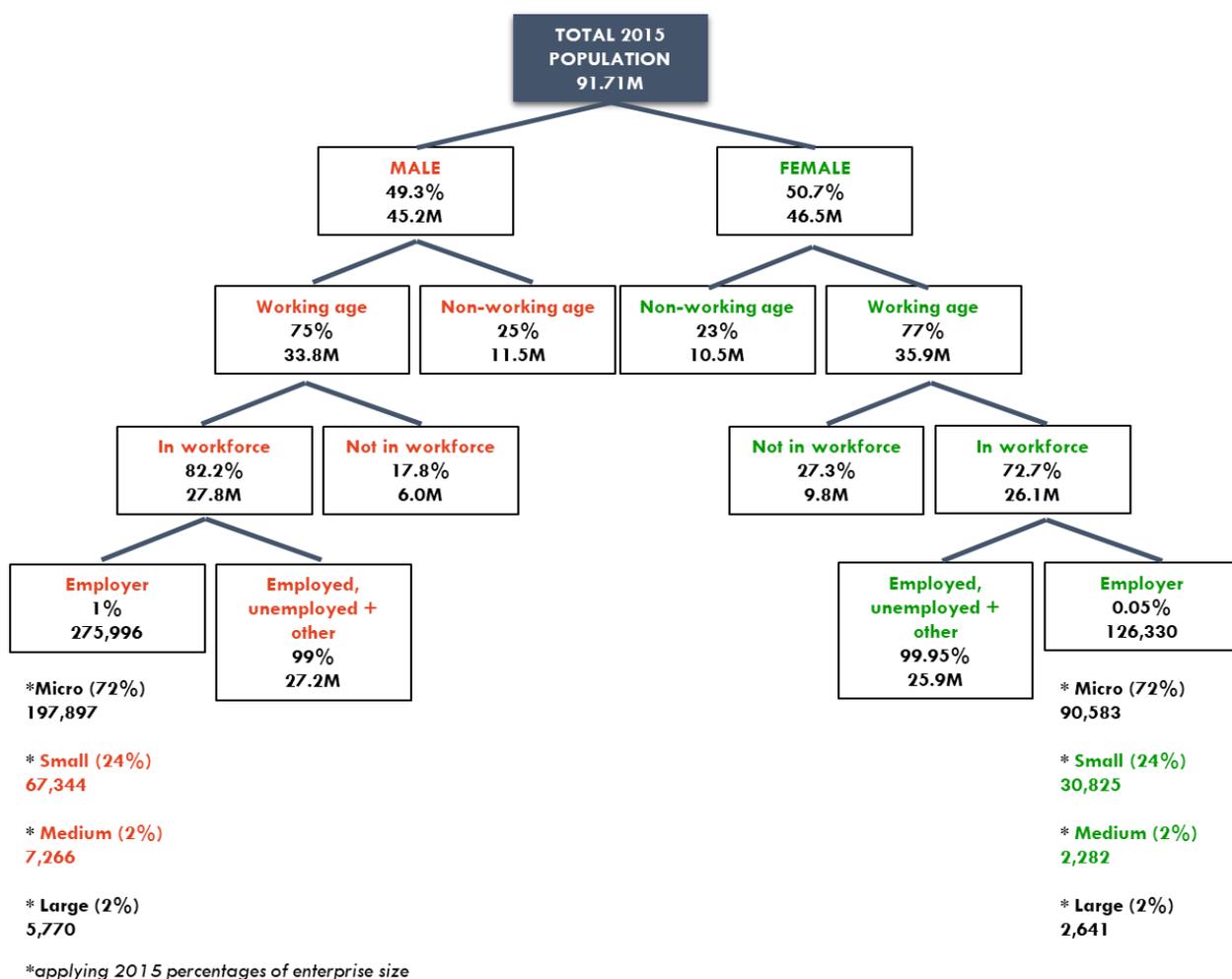


Figure 4. Estimated population of WSMEs in Vietnam (2015)

Estimating the population of WSMEs

In 2013, the United Nations Statistical Commission defined a Minimum Set of Gender Indicators aimed at describing and addressing issues on gender equality and/or women's empowerment. One of the indicators specified in the set captures gender-disaggregated data on the proportion of employed individuals who are employers.

To estimate the number of WSMEs in the country in 2015, available GSO data on the percentage of women and men employers were utilised to calculate the total number of entrepreneurs in the country.

The proportions of enterprises by size (micro, small, medium, and large) (drawn from 2015 national statistics) were then applied to the number of female owned enterprises to estimate the number of WSMEs in Vietnam.

This constitutes the best estimate of the population of WSMEs, given the limited availability of gender-disaggregated data specifically on SME ownership. Adding the estimates of SMEs owned by men and women do not perfectly match the population of enterprises by size because of differences in census data collection approaches, and because the methods cannot account for multiple business ownership of individual entrepreneurs.

Gender gaps in economic participation

The data shows that the participation rate of women in business (0.5%) was slightly less than half the participation rate of men (1%) in 2015.

The participation of females in the workforce in Vietnam was relatively high compared to other countries in the region and the world. The women's workforce participation rate was 73%, which was around 10% lower than the rate for men (82%).

However, a gender comparison of employment income reveals that men received around 10% more employment income. The participation of women in unpaid family work (11%) was still higher compared to men's (7%).

Opportunities

Research elsewhere reveals that the average income of female workers is lower than that of males in almost all sectors and fields, even when qualifications and job types are held constant. Notably, the earnings gap has widened in the last 10 years because the majority of women are typically engaged in the informal sector, and tend to undertake lower paid jobs and unpaid family care work. The analysis here points to important opportunities to help improve the participation rate of women in business in Vietnam.

Given that around 27% of women of working age did not participate in the workforce in 2015, this signals a potential opportunity to engage these non-participating women in business activity.

Studies elsewhere show that WSMEs tend to employ women, so increasing the number of women entrepreneurs in the country will have the added effect of increasing the rate of paid employment among women.

The analysis here further points to the need to support the transition of micro enterprises to small businesses, and for small businesses, in turn, to further grow into medium and large enterprises. The transition of businesses within this enterprise pipeline requires significant managerial, technological, and financial resources, which tend to be scarce in developing and emerging economies.

This resource gap signals a critical opportunity for investors to play an important role not only in SME development, but also in raising the economic participation rate of women as business owners and employers in the country.

Dr Sandra Seno-Alday is a researcher at the Sydney Southeast Asia Centre and a Lecturer of International Business at the University of Sydney Business School. Dr Linh Nguyen is the Director of the Entrepreneurship Development Network Asia (EDNA) Vietnam. This research was supported by the Australian Government through the Investing in Women Initiative, a program of the Department of Foreign Affairs and Trade.

Sydney Southeast Asia Centre | Dr Sandra Seno-Alday
T +61 2 9351 4916 | E sandra.seno-alday@sydney.edu.au
W sydney.edu.au/southeast-asia-centre



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SYDNEY