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The impact of bank credit accessibility of small and medium enterprises in Ho Chi Minh city, Vietnam

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Abstract
This study examines the impact of firm characteristics on SMEs' access to bank credit. The study used primary data taken from a survey questionnaire of the 269 SMEs to collect credit-related data accessible to SMEs. Regression analysis is applied to identify factors affecting the accessibility of bank credit. SPSS 22.0 software was used for analysis. The results showed that the characteristics of the business affecting the ability to access bank credit include: Enterprise's location, Equity, Business plan, Collateral, Project value and Firm Tax Number. Factors Business Plan and project value are the two most influential factors. The recommended study SMEs in the city. HCMC maintains attractive corporate attributes to stimulate lenders to expand financially investments.

Keywords: accessibility, characteristics, construction, credit, SMEs

Introduction

The SME sector's contribution to economic development, job creation, and income enhancement has been recognized worldwide. However, the main problem that restricts the SME sector from fully contributing to the mainstream economy is the lack of finance. This study is conducted to assess the current situation and difficulties in implementing Directive No. 03 / CT-NHNN on promoting green credit growth and managing environmental and social risks in credit activities. With the following specific aspects: How are current environmental and social risks considered and assessed in the credit review process of commercial banks? Are there difficulties and barriers in the implementation of promoting green credit growth and managing environmental and social risks in credit activities in Vietnam?

The ability to access bank credit is one of the important factors considered in the development of a business. Many SMEs use bank loans as the main source of external capital. Credit availability varies according to a variety of factors related to business and bank operations. One of the features that can be described as distinguishing credit terms is the size of the business. Although SMEs are important to economic development, they find it difficult to find capital due to insufficient information transferred to banks and its asymmetry. However, the better the economic condition of a business and the more information about it is available, the easier it will be to access bank capital. In other words, the small-scale firms act as a lubricating adjunct to the economy (Marchesnay *et al*, 1998). L

From an academic perspective, the issue of access to finance for businesses is a problem that has received a lot of attention in recent research. So far there are two main lines of research. One is the study of firms' ability to access capital. Quartey *et al*. (2017) used data from the World Bank's Enterprise Survey from six African countries in 2000, 2005, 2010, and 2014, and applied a probit regression model. The results show that firms' ability to access capital depends on size, credit laws, Access to credit information, export orientation, and director's experience. Harvie *et al*. (2013) used a linear probability model applied on SME data from eight Southeast Asian countries, Cambodia, and China. Nation, Indonesia, Laos, Malaysia, the Philippines, Thailand, and Vietnam show that enterprise's access to capital depends on business characteristics such as size, number of years of operation, business lines, level of development. Country, business life cycle, and type of business. Besides, the characteristics of business owners such as management experience, financial ability, and managing more than one company also determine the ability of enterprises to access capital. Furthermore, corporate performance in the past such as profitability and revenue growth also determine a firm's ability to access formal credit.

The second branch studies the results of capital access, the relationship between capital accessibility and the development of firms. Rahaman (2011) used Financial Analysis Made Easy data from 1.8 million enterprises (both private and public) in the UK and Ireland in the period 1991–2001, and applied the generalized method of moment (GMM). The results show that capital structure has an influence on the growth of the business. Moreira (2016) using the OLS regression model for data from 1,327 firms from Eastern Europe shows that the growth of SMEs depends greatly on the ability of firms to access capital.

Theoretical basis

Theoretical framework

Most SMEs rely on internal finance because they cannot afford external finance easily, the only priority becomes internal but internal finance is still insufficient. For the growth, and profitability of SMEs. Most SMEs do not have access to debt, leading to inadequate capital structure. According to Demirguc-Kunt *et al*., (2012) [9] citing that the main external sources of finance for SMEs are equity and debt. Shane S, (2008) [17] observed that external equity from stock exchanges (capital markets) often never exists for

SMEs. Sorooshian *et al*., (2010) [18] demonstrate that Firm Characteristics influence the capital structure and performance of SMEs Financial gaps exist between funding availability and demand. Strict capital requirements of SMEs. This study intends to create a bridge to impact access to credits for SMEs in the HCM City.

Capital structure is described as the combination of debt and equity that a firm uses to finance its operations (Gilbert, B. A., 2008) [11]. The initial hypothesis of capital structure originates from the Modigliani-Miller theorem, which argues that enterprise value is not appropriate in financing decisions in a perfect market (Modigliani *et al*., 1963) [14]. The theory lacks real-world applicability because corporate values are involved in financial decisions because agency costs, bankruptcy costs, asymmetric information, and tax components affect the structure of the capital structure of enterprises. The benefits of using debt in a firm's capital structure exist because interest on the debt is tax-deductible, thus creating tax savings for borrowers (Fatoki, O., & Asah, F. (2011) [10]. Therefore, it is possible to reduce the cost of capital of enterprises and maximize the wealth of shareholders by renting debt. Tax savings make debt financing cheaper than equity financing whenever it is used in the capital of a structured firm. The combination of cheap debt with relatively expensive equity will reduce the cost of a firm in terms of capital, which is a barrier to decisions to accept or reject investment.

For a project to be pursued, it must be feasible to generate enough cash flow to cover the initial cost of that investment. MM theory stipulates that an enterprise should have 100% debt in its capital structure so that a firm can benefit from the tax shield (Modigliani *et al*., 1963) [14]. Scott DF, (1972) points out that theoretically, the 100% tax shield does not exist because of the existence of cost fiscal constraints. Stiglitz *et al*., (1981) [19] state that the presence of institutional issues such as disproportionate information and ethical hazards can affect SMEs' access to credit and capital structure.

SME perspectives on debt financing

Constraints that exist in accessing external credit for SMEs have exposed the sector to the impact of industry growth funds (Da Silva *et al*., 2007) [8]. Funding from either internal or external sources is necessary to stimulate the profitability of the business is the engine that drives the expansion and stability of any business (Myers, 1984) [15]. (Olutunla *et al*., 2008) [16] in surgery, order theory states that in enterprises deciding to finance, they should prioritize internal credit sources over external credit sources regarding the availability of sources and expenditures. Fees involved. Internal credit sources are not the preferred option chosen by most businesses in profitable projects and credit because it is not enough. External credit is the only source to rescue small and medium businesses in the HCM City.

The borrowed fund can be invested in profitable projects to create additional assets that can be used as collateral in the future when enterprises need foreign credit debt. Beneficial long-term cooperation on service prices of the bank. Boot and Thakor (2000) suggest that in the sample of small businesses studied by them, credit interest rates decrease over time of cooperation with banks. Collateral requirements are also getting lower and lower. They also found that credit discounts can occur with the length of the cooperation, regardless of the amount (range) of information the bank collects. Reducing credit interest rates for units that demonstrate their ability to complete projects (banks do not expand their knowledge of new elements, but analyze only those given by the business).

The level of competition in the banking sector can also affect the relationship between the time of business cooperation with banks and interest rates. Sharpe (1990), as well as Petersen and Rajan (1995), argues that interest rates may increase in such cases with the duration of the institution's cooperation with the bank. According to this approach, banks offset the previous risk financing for unknown businesses.

Banks' interest in financing businesses has not been previously tested as a result of the need to attract customers and enhance credit portfolios. In a competitive market, banks tend to adjust rates of return from credit granting to a unit. In their early days of existence, they provided relatively cheap capital, with costs increasing over time. It is the result of the fact that banks disvalue the credits granted to young, unknown entities, or they value well-established, mature entities in a very limited way. Processing. In addition, the banks in the non-competitive market believe in future benefits from credit granting to a given enterprise and that is why they decided to offer relatively cheaper capital. Start operations.

Factors affecting the ability to access bank credit

Location of the Enterprise

According to Berger and Cs., (2006) [4] find out that the geographical proximity between the lender and the customer is related to a business to access credit. Lenders that are geographically close to customers are likely to use softly available qualitative information to build creditworthiness among customers for credit quality Gilbert, B. A. (2008) [11] found that firm position had a significant relationship with market access, supplies and other resources such as capital, labor and land. Hence, urban firms are more likely to succeed than rural firms with access to credit, markets and other resources. Fatoki and Cs. (2011) [10] found that urban SMEs are more successful in accessing debt than rural SMEs. The physical proximity between the lender and the borrower creates an improved form of scrutiny of the environment that enables SMEs to access credit from the lender. Therefore, there is a positive relationship between firm position and SME's access to debt.

Owners' Equity

The industry in which the business operates does not directly affect the capital structure of the business, but can indirectly affect the structure and nature of the firm's assets (Hall, G. and Sc., 2000) [12] The relationship that exists between industrial classifications and the use of debt in capital structure stems from a theory that industrial classifications are an alternative to business risk (Barbosa Cs., 2004) [3]. The concept in this theory indicates that firms operating in the same business sector, environment and economic characteristics tend to have the same impact faced by the sector that can affect income. And growth. (Hall, G. and Sc., 2000) [12] Advocates that while firm specific characteristics are sensitive to industry structural characteristics, the variables of financial strategy still have a very important influence on industry-specific impacts. For business activities. Abor, J. (2007) [1] the evidence is that SMEs operating in agriculture have the strongest capital structure and asset structure under which wholesale and retail have the weakest asset structure and debt ratio. Therefore, it is hypothesized that there exists a positive effect between the industry of firms and SMEs' access to debt.

Business plan of the business

This study assesses why lenders (banks and other lending agencies) are interested in business information of businesses. Kitindi, cs. (2007) [13] indicates that lenders use the business information of the business to evaluate the current and future performance of the business. Lenders want to know the interest and principal status of their loans by evaluating the capital structure of the business. Furthermore, lenders use business information to determine the creditworthiness of the borrower whether to grant or extend a loan. Lack of sufficient information leads to information asymmetry and can jeopardize access to credit financing Sarapaivanichva Cs. (2006). Consequently, a positive relationship exists between business information and SMEs' access to debt.

Business collateral

The SME sector has difficulty in accessing external credit for their investment projects due to the lack of collateral. From that point of view, SMEs cannot develop because they do not have collateral to commit to access to external credit. Coco, G. (2000) [6] points out that collateral requirements are an important aspect for small and medium businesses building to succeed in accessing credit with external finance from lenders. Coco, G. (2000) [6] proposes that collateral is the lender's protection in case of default. Occurs by the borrower, in that view, the collateral is insurance for which the lender's contract will be respected and respected. Collateral addresses issues of information asymmetry in the evaluation of investment projects, project adequacy, and the risks exposed to borrowers, and the costs associated with monitoring the borrower's character. Barbosa and Cs. (2004) [3] propose that the construction operator Olanrewaju Abdul Balogun *et al*. Technical Procedure 164 (2016) 473 – 480 firms must own more tangible assets that can create higher value for their business to speed up loan security. Because, the higher the value of an asset, the lower the interest rate on the debt secured by it. Hence, the hypothesis exists a strong positive relationship.

Project value

Businesses only accepting investment in risky projects can generate a higher level of income required to cover the debt. As a result, lenders cannot avoid choosing a more risky project and must therefore accept the risk of the business. When the demand is exceeded, the lender has different maximums corresponding to rates with lower odds of choosing a disadvantage to allocate credit (Stiglitz and Cs., 1981) [19].

Furthermore, allocation conditions reduce access to financial resources not only for new investment but also for job creation and poverty alleviation. Another aspect of credit allocation is that employees/managers of financial institutions may be personally liable for inefficient loans if loans are granted to SMEs without Government guarantees, thus exist issues about the agency. Regulators are responsible for protecting the interests of depositors and will therefore operate under the credit allocation conditions.

Firm Tax Number

According to Modigliani Cs. (1958) the corporate tax hypothesis highlights important issues related to the financial structure decision: the cost of debt is cheaper than equity; the increase in risk and cost of equity as debt increases; and the benefit of the debt is tax-deductible. They argue that in the absence of taxes, the cost of capital that remains constant for the benefit of cheaper debt is precisely offset by an increase in the cost of equity due to the increased risk. With taxes and the ability to deduct interest, they conclude that businesses should use as much debt as possible (Myers Cs. 1984) [15] described the "static trade-off" theoretical compromise in which firms would use a lot of debt to take advantage of the ability to withhold tax but not so much to avoid an increasing likelihood of costly bankruptcy. Therefore, SMEs can buy credit from financial institutions to meet recurrent expenditures based on future profits.

- **Research hypothesis**

H1: Location of the Firm of the enterprise has a positive effect on the enterprise's ability to access credit.

H2: Owners' Equity has a positive effect on firms' ability to access credit.

H3: A firm's Business plan has a positive impact on enterprises' ability to access credit.

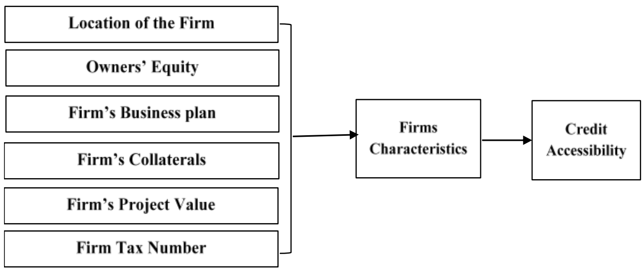
H4: Firm's Collaterals has a positive effect on the enterprise's ability to access credit.

H5: Firm's Project Value has a positive influence on the ability of enterprises to access credit.

H6: Firm Tax Number has a positive influence on the ability of enterprises to access credit.

- **Proposed model**

The literature review has identified relationships among the variables selected in this study. Moreover, the hypotheses drawn for the survey are 6 toxic variables affecting the ability to access bank credit. In addition, access to bank credit is relevant to SME scores in practice to draw conclusions about the critical final stage of the SME access credit process.



Source: Author compiled

Fig 1: Proposed model

Research Methods

- ***Qualitative research***

Qualitative preliminary research is used to explore, adjust the model, and supplement observed variables and measure research concepts. The questionnaire was piloted on 30 SMEs. The purpose of the pilot study is to identify common problems, but also to incorporate the respondents' opinions to improve the quality of the questionnaire for the purpose of the research. This research is conducted through interviews and focus group discussions to find out the most common opinions about factors affecting access to credit of the bank. The questionnaire surveyed 269 SMEs to collect relevant data on their access to credit. The study recommends that SMEs in The HCM City should maintain attractive business attributes to stimulate lenders to extend credit for their investments.

- ***Quantitative research***

Data was collected through a survey of businesses with access to bank credit in Ho Chi Minh City. The questionnaire includes 34 questions, of which 30 observed variables for 6 independent scales and 4 observed variables for the dependent scale on the satisfaction level of enterprises using online tax payment services. The survey will be conducted from August to August 2020, either by sending paper questionnaires in person or by email to respondents. There were 300 live questionnaires distributed, a total of 282 questionnaires collected, 19 questionnaires removed due to insufficient information, in the end, 269 questionnaires were used for analysis.

In which, the method of preliminary assessment of the scale with Cronbach's alpha reliability coefficient and the exploratory factor analysis method, presenting the indexes to test the appropriateness of the research model such as F value, R2, correlation coefficient, variance magnification coefficient (VIF) and hypothesis test. Check the reliability of the scale with Cronbach's Alpha, Explore factor analysis EFA, CFA, linear regression analysis, SEM.

Results and discussions

Confirming factor analysis (CFA)

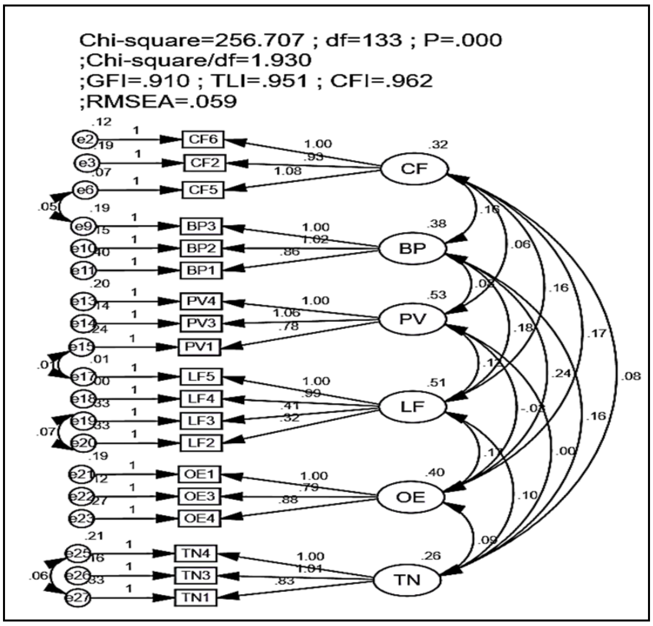
The correlation coefficient between the components with accompanying standard deviation (Table 1) shows us these coefficients less than 1 (with statistical significance). Therefore, the components: Location of the Firm (LF), Owners' Equity (OE), Firm's Business plan (BP), Firm's Collaterals (FC), Firm's Project Value (PV), and Firm Tax Number (TN) has value distinguishing.

Table 1: Results of testing the value of distinguishing between the components of the scale.

			Estimate	S.E.	C.R.	P
CF	<-->	BP	0.158	0.028	5.653	***
CF	<-->	PV	0.065	0.028	2.301	0.021
CF	<-->	LF	0.157	0.028	5.537	***
CF	<-->	OE	0.166	0.029	5.821	***
CF	<-->	TN	0.077	0.022	3.408	***
BP	<-->	PV	0.078	0.032	2.425	0.015
BP	<-->	LF	0.179	0.032	5.546	***
BP	<-->	OE	0.236	0.035	6.821	***
BP	<-->	TN	0.155	0.029	5.338	***
PV	<-->	LF	0.121	0.035	3.484	***
LF	<-->	OE	0.169	0.033	5.147	***
LF	<-->	TN	0.100	0.027	3.688	***
OE	<-->	TN	0.088	0.026	3.365	***

Source: Data analysis of research data by SPSS 22.0

Regarding the relevance general, linear structural analysis shows this valuable model chi-squared statistic is 256.707 with 133 degrees of freedom and the value of p = 0.000. Chi-squared relative degrees of freedom according to Cmin / df was 1.930 (< 2). Other indicators such as GIF = 0.910 (> 0.9), TLI = 0.951 (> 0.9), CFI = 0.962 (> 0.9) and RMSEA = 0.059 (<0.08). Therefore, this model fits the data was collected. This also allows the draw of individual judgments about the direction of the observed variables. About values converge, the standardized weights of the scales are > 0.5 and with statistical significance p <0.05, so the scale achieved convergence value.



Source: Data analysis of research data in SPSS 22.0

Fig 2: Results CFA the enterprise's ability to access credit (normalized)

Structural Equation Model Results

The table shows the results for the degree of conformity checking for the two structures, the characteristics of the SMEs and the accessibility of the SMEs and the result structure model of the two datasets. Various indices, namely the Absolute Fit Measurements and the Increased Fit Measurements are used to evaluate a model's fit. As a commonly used statistic for the model suitability index, Chi-square (X2) is used in this study to test the existence of any relationship between the variables in the model. (Hair *et al*., 2006). From the AMOS results reflected in Table 2, it is clear that the model was consistent with the data and therefore the proposed model is suitable in explaining relationships between variables.

Table 2: Results of the AMOS Analyses of the Resultant Models

				Goodness of fit Measures						
Model	X2	Df	p	X2/df (CMIN/DF)	RMSEA	NFI	RFI	IFI	TLI	CFI
Sample	479.417	87	0.001	1.536	.052	.922	.912	.971	.960	.971
Criteria (non-significant)	P>.05	≥0	-	2 to 3	<.08	>.90	>.90	>.90	>.90	>.90

Source: Data analysis of research data in SPSS 22.0

Note: X^2 = hi-square test, df = Degrees of freedom, RMSEA = Root mean square error of approximation, NFI = Normed Fit Index, RFI = Relative Fit Index, IFI = Incremental Fit Index, TLI = Tucker-Lewis Index, CFI = Comparative Fit Index

Inspection of the relationship between the characteristics of the SMEs and the accessibility of the SMEs Structural Equation Model (SEM) was performed to explore the relationship between the structure of SMEs characteristics and access to bank credit of SMEs. Check the basic relationship between the elements (Location of the Firm

(LF), Owners' Equity (OE), Firm's Business plan (BP), Firm's Collaterals (FC), Firm's Project Value (PV) and Firm Tax Number (TN) and access to bank credit were performed. The results show that the valid chi-square statistic of this model is 479,417 with 184 degrees of freedom (p = 0.000 for cmin / df squared counterpart is 2,606 (<3). Other indicators are GLI = 0.870 (>0.8), TLI = 0.900 (> 0.9), CFI = 0.920 (> 0.9) and RMSEA = 0.077 (<0.08). Therefore, this model achieves compatibility with collected data. In which, the factors (1) Firm's Business plan (BP) (ES = 0.295; P = 0.000); (2) Location of the Firm (LF) (ES = 0.275; P = 0,000); (3) Firm Tax Number (TN) (ES = 0.206; P = 0.011); (4) Firm's Collaterals (CF) (ES = 0.119; P = 0.022); (5) Firm's Project Value (PV) (ES = 0.118; P = 0.003) and (6) Owners' Equity (OE) (ES = 0.101; P = 0.011); have P-values <0.05 and estimated values are normalized so that they have a direct effect.

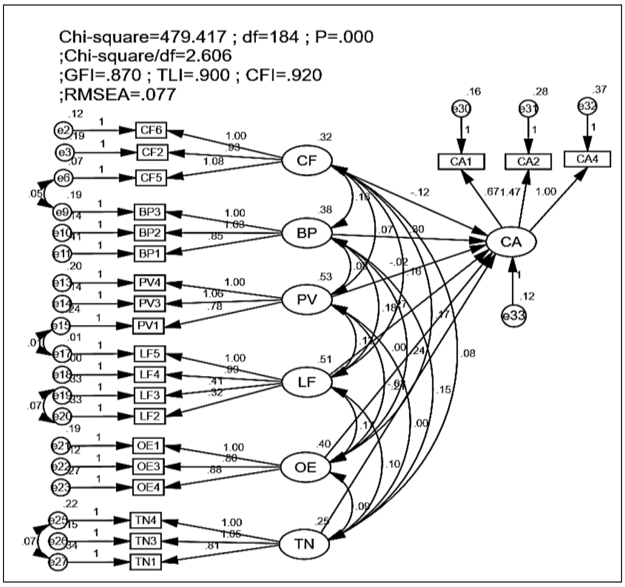


Fig 3

Table 3: Results of estimating causal relationship between factors SMEs characteristics and access to bank credit of SMEs

Relations			Estimate	S.E.	C.R.	P
CA	<---	CF	0.119	0.064	1.865	0.022
CA	<---	BP	0.295	0.086	3.439	***
CA	<---	PV	0.118	0.045	0.408	0.003
CA	<---	LF	0.275	0.051	5.39	***
CA	<---	OE	0.101	0.072	0.012	0.021
CA	<---	TN	0.206	0.081	2.533	0.011

Source: Data analysis of research data by SPSS AMOS 22.0

Testing the reliability of estimates by Bootstrap

The bootstrap method used to test the model estimates the last model with the pattern repeat is N = 1000. The estimation results from 1000 samples are averaged together with the deviations are presented in Table 4, CR very small absolute value than 2, it can be said that the deviation is very small; while not statistically significant at the 95% confidence level. Thus, we can conclude that the model estimates can be trusted.

As a result of testing of hypotheses for the SMEs characteristics, the hypothesis H1, H2, H3 H4, H5, and H6 of the SMEs characteristics and access to bank credit of SMEs are accepted. There are six relationships that are worth them theoretically.

Table 4: Results estimated by bootstrap with N = 1000. Estimate standard estimate Bootstrap with N=1000

Parameter			SE	SE-SE	Mean	Bias	SE-Bias	CR
CA	<---	CF	0.1	0.002	-0.107	-0.012	0.003	-4.00
CA	<---	BP	0.138	0.003	0.272	-0.023	0.004	-5.75
CA	<---	PV	0.053	0.001	-0.011	0.007	0.002	3.50
CA	<---	LF	0.095	0.002	0.265	-0.01	0.003	-3.33
CA	<---	OE	0.145	0.003	0.024	-0.023	0.005	-4.60
CA	<---	TN	0.091	0.002	0.19	-0.016	0.003	-5.33

Source: Data analysis of research data by SPSS AMOS 22.0

Conclusion

Results and discussion

Out of 300 businesses, 264 businesses (89.6%) have applied for credit from commercial banks. The results indicate that in addition to equity capital, commercial banks are the next big source of potential capital for SMEs. The results are consistent (Williams WS. 2006) of SME capital structure decisions that foreign debt financing such as bank borrowing is the more common source of capital after internal equity for many SMEs. Out of 264 respondents who have applied for credit from commercial banks, 216 respondents (72.0% get full credit from commercial banks, and 46 of which 15.3% are granted credit. These results are consistent with Stiglitz's (1981) [19] SMEs who are allocated credit. Linear regression analysis shows the likelihood of receiving all or part of credit based on dependent variables such as reporting. Cash flow statement, business plan, project value, collateral, location of SME variables on credit approval.

The results indicate that corporate taxes and collateral, management capacity (especially high education and related experience), business plan and project value, relationship with other Banking and business position are important determinants of SMEs' access to bank credit. In addition, the incorporation and size of the company were also important factors. Research recommends that in order to receive loans from banks, a company owner needs to have a business or personal asset used as collateral. Therefore, in order to get the necessary funding from commercial banks, the first is that the owners of SMEs are ready to invest. Investors look for very specific things when they evaluate funding requirements. Entrepreneurs must be aware of the needs and concerns of different types of developers. In addition, over the years, governments and government agencies have used considerable resources to create and implement market interventions. It is important that these interventions be effective and responsive to the needs of the people they claim to support.

Conclusion and limit

Research focuses only on bank credit. The determinants of other sources of credit for SMEs in sectors such as commercial credit and government are not investigated. In addition, the study focuses on the demand side. In future research, it is possible to investigate the determinants of credit approval from banks.

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