

IDENTIFYING THE DEVELOPMENT CHALLENGES OF SMALL AND MEDIUM-SIZED AGRICULTURAL ENTERPRISES IN THE CONTEXT OF HOAI DUC DISTRICT, HANOI CITY

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Received: Jul 12, 2022

Published: Apr 18, 2023

ABSTRACT

Agricultural enterprises play an important role in agricultural transformation and development. Together with big enterprises, which take the leading role, small agricultural enterprises are vital in terms of generating employment, fostering innovation, and promoting environmental sustainability. Nevertheless, small enterprises now face more challenges than big enterprises due to limited access to resources, lack of bargaining power, and vulnerability to external shocks. This study aimed to identify the challenges that agricultural SMEs in Hoai Duc district are facing. The primary data were collected from a survey enterprise's owners and focused group discussions and in-depth interviews with authorities and representatives from the locality. The study employed thematic analysis, content analysis, narrative analysis, and interpretative phenomenological analysis (IPA). These methods focused on understanding how the interviewees made sense of their experiences, thereby exploring the challenges that they are facing. The results showed that weak business administration practices and low digital transformation as internal challenges, and the issues of tax reports, incentive policies, capital, and market access as external challenges. To help enterprises overcome these difficulties, it is crucial to remove the barriers that are hindering their growth and development. The role of the government is critical in creating a supportive environment that promotes agricultural entrepreneurship and business growth.

Keywords: Small and Medium-sized enterprises (SMEs), agricultural, agricultural SMEs, development, challenges.

Xác định các thách thức trong phát triển doanh nghiệp nhỏ và vừa nông nghiệp ở huyện Hoài Đức, Thành phố Hà Nội

TÓM TẮT

Nghiên cứu này nhằm xác định những thách thức mà các doanh nghiệp nhỏ và vừa nông nghiệp ở huyện Hoài Đức đang phải đối mặt. Dữ liệu sơ cấp được thu thập từ khảo sát các chủ doanh nghiệp và thảo luận nhóm cũng như phỏng vấn sâu với cán bộ địa phương. Nghiên cứu sử dụng phương pháp phân tích theo chủ đề, phân tích nội dung, phân tích tường thuật và phân tích hiện tượng diễn giải từ phỏng vấn sâu nhằm hiểu rõ hơn những chia sẻ của chủ doanh nghiệp về các thách thức họ đang gặp phải. Kết quả cho thấy, những thách thức bên trong mà họ đang gặp phải đó là vấn đề yếu kém trong quản trị kinh doanh và chuyển đổi số chậm. Những thách thức từ bên ngoài có liên quan tới những vướng mắc trong báo cáo thuế, khó khăn trong tiếp cận vốn, tiếp cận thị trường và những bất cập liên quan chính sách ưu đãi doanh nghiệp nhỏ và vừa nông nghiệp. Để giúp các doanh nghiệp vượt qua những khó khăn nêu trên, rất cần thiết phải xóa bỏ các rào cản đang cản trở sự phát triển. Trong đó, vai trò của Chính phủ vô cùng quan trọng trong việc tạo lập môi trường kinh doanh thuận lợi thúc đẩy sự phát triển của khởi nghiệp nông nghiệp và sự tăng trưởng kinh doanh nông nghiệp.

Từ khoá: DNNVV, nông nghiệp, DNNVV nông nghiệp, phát triển, thách thức.

1. INTRODUCTION

Small and medium-sized enterprises

(SMEs) have emerged in many economies around the world, especially in developing countries. SMEs constitute a significant

percentage of all business numbers worldwide (Singh, 2018). Since they are so widely located, SMEs create many jobs, improving employment and the post-crisis resumption of economic growth (Aceleanu *et al.*, 2014). SMEs also exhibit a high level of resiliency to the most severe external shocks (Karadag, 2016) and they can become the seeds of economic revival (Savlovski & Robu, 2011; Aceleanu *et al.*, 2014). In addition, they can improve the competitive environment, facilitate the development and adaptation of new technologies, and serve as anchors in local economies by capitalizing on local resources (Aceleanu *et al.*, 2014).

In Vietnam, the agriculture industry has achieved many important results such as ensuring national food security and strongly increasing exports. Between 2008 and 2020, the growth of the agricultural sector was more than 3% per year (Khanh Minh, 2022). The Vietnamese government has introduced a series of policies to encourage private investments and business activities in agriculture. The most recent initiative, articulated through Decree 57, was designed to support the development of emerging agricultural entrepreneurs, and to harness the incentives and competitiveness of private enterprises (Decree 57/2018/ND-CP). As a modern form of economic organizations, agricultural enterprises are expected to be an engine to modernize agriculture. Therefore, agricultural SMEs are considered to be the most suitable form among economic organizations in agriculture to help agriculture reach new heights, whereby agricultural productivity could be improved, providing more jobs and higher incomes, which laborers could enjoy.

However, the performance of these SMEs is moderate compared to their potential. Although the agricultural sector covers 84.45% of land and 29% of labor, agricultural enterprises account for just 1.71% of the country's total enterprises (General Statistics Office, 2021). Because of the low starting point, most SMEs have not paid attention to investments in technology or participated in global value

chains. These are consistent with the challenges agricultural SMEs are facing worldwide, exposing the limited access to capital and markets, and a lack of skilled laborers.

Hoai Duc is a suburb district in the West of Hanoi. Located on the bank of the Day River with a flat terrain, Hoai Duc has many advantages to develop agriculture. The recovery of the economy after Covid-19, especially in the agriculture industry, requires SMEs to develop and modernize to continue transforming peri-urban agriculture and developing suburban agriculture sustainably. However, currently, agricultural SMEs in Hoai Duc district face a series of difficulties and challenges. They are reluctant to strongly engage with the agricultural sector because of difficulties in terms of access to land and capital. It can be inferred that individuals in the agriculture sector in the district, the city, and the whole country are currently facing the dilemma of meeting development requirements in unconducive environments.

Although there have been many studies on SMEs as well as agricultural enterprises, the research on agricultural SMEs has received relatively little scholarly attention in Hanoi in general as well as in Hoai Duc district in particular. Therefore, it is necessary to identify the challenges and barriers that agricultural SMEs in Hoai Duc district are facing, thereby assisting the search for suitable solutions.

Thus, this research had the following objectives: 1) examine the development situation of agricultural SMEs in Hoai Duc district; 2) explore the challenges that agricultural SMEs are facing; and 3) recommend some appropriate solutions based on the findings of this study.

The term SME is a relative concept. It is used most commonly to define small enterprises by employee number, which is a stable definition in the long term. For instance, in the US, small enterprises are defined as entities with fewer than 100 employees, and within the EU, entities with fewer than 50 employees are deemed as small. The International Labor

Organization defines small enterprises as those typically with 10-100 employees and in smaller developing countries such as those of the Caribbean, small enterprises are those with 6-25 employees (Singh, 2018).

In Vietnam, the criteria of SMEs were defined by combining the number of laborers and the amount of capital that varies by economic sector. Over time, the definitions of SMEs have changed to adapt and improve the policy's efficiency. In this study, agricultural SMEs are the entities that employ 10-200 laborers, have an annual revenue of 3-200 billion VND, and are working now in agriculture.

Churchill and Lewis (2000) articulated the five stages of small business growth. These are existence, survival, success, take-off, and resource maturity, which are classified by volume, variety, complexity, and by five managerial elements, namely managerial style, organizational structure, level of formal systems, key strategic goals, and the owner's engagement in the business. It is assumed that a company must go through all five stages or come to death in their efforts.

Morris *et al.* (2015) were concerned about which kinds of ventures should be encouraged or not. Based on profit targets, four major types of ventures can be determined, namely survival, lifestyle, managed growth, and high-growth ventures. Policies to encourage the survival, lifestyle, and managed growth ventures were implied. Moreover, Gohmann & Fernandez (2014) emphasized these types of ventures play a larger and larger role in the sustained economy. However, Churchill & Lewis (2000) assumed that small businesses could grow and compete by following business principles.

Most researchers agree that promoting small businesses is in accordance with economic development (Mukole, 2010). From an economic standpoint, small businesses provide half of the employment in an economy (Edmiston, 2007). From the view of socio-economic development, SMEs provide a lot of welfare. They play a vital role in securing income permanence, employment, and economic growth (Savlovski & Robu, 2011).

All SMEs, regardless of what country they are based in, experience common problems such as limited human resource capabilities and inadequate entrepreneurial knowledge (Irawan, 2020), infrastructure, and capital (Eniola & Entebang, 2015). In addition, inadequate government policies have restricted access to support that could improve their performance. Especially, Irawan (2020) found that to face the new post Covid-19 normal, SMEs also have new challenges such as acknowledging information technology. Furthermore, high economic growth could stimulate inflation, which crashes people's purchasing power, therefore SMEs have the greatest chance to be affected (Kristanti *et al.*, 2019).

Therefore, to facilitate SMEs in overcoming these challenges, the role of the government is essential so that legal protections are transparent because Mottaeva & Gritsuk (2017) believed that the Government's role as a regulator could promote the growth of SMEs. More specifically, information and communication technology should be supported by the government and a legal corridor should be created to protect SMEs.

2. METHODOLOGY

2.1. Analytical framework

The development of enterprises satisfies the five following factors: the growth in number, maturity, and size of each agricultural SME; the restructuring of agricultural SMEs towards progression; the increase of the enterprises' capacity; the increase in the enterprises' performance; and the increase of the SMEs' contributions to local socio-economic development. From the results of the factors affecting agricultural SMEs in the district, the researchers analyzed the development of enterprises in terms of these five dimensions, then critically showed the challenges that enterprises are facing. Finally, some solutions were proposed to improve the development of agricultural SMEs in the district in the future.

2.2. Research site

Hoai Duc is a suburban district to the west of downtown Hanoi and has a high rate of urbanization and industrialization. The average growth rate of the GRDP between 2018 and 2021 was 6.65%. Over time, agricultural land has gradually shifted to urban areas and industrial zones. Agriculture in the district mostly provides essential agricultural products for urban agriculture with vegetables, flowers, and ornamental plants.

2.3. Data collection

Secondary data were collected through the Statistical Yearbook of the State, Hanoi city, Report of the Hanoi People's Committee, Department of Agriculture and Rural Development, Hanoi Department of Planning and Investment, Hoai Duc District People's Committee, and others. Primary data were obtained through an interview survey. Structured and semi-structured questionnaires were given out to a total of 16 agricultural SME owners in the district.

In addition, the study also collected information through focused group discussions

and in-depth interviews with authorities and representatives from the agricultural SMEs community. The response results from the focus group discussions (FGDs) were then illustrated and the challenges that agricultural SMEs in the district are facing were explored.

2.4. Data analysis

Descriptive analysis was applied to evaluate the situation of agricultural SMEs in Hoai Duc district over time, reporting the absolute number, relative number, average number, and growth rate of the main indicators, which were the number of agricultural SMEs by field and by form, the number of agricultural SMEs operating profitably, and the rate of agricultural SMEs operating profitably.

In addition, analyzing the data from the in-depth interviews with the enterprise owners was deployed in different methods, namely thematic analysis, content analysis, narrative analysis, and interpretative phenomenological analysis (IPA). These methods focused on understanding how the interviewees made sense of their experiences, thereby exploring the challenges that they are facing.

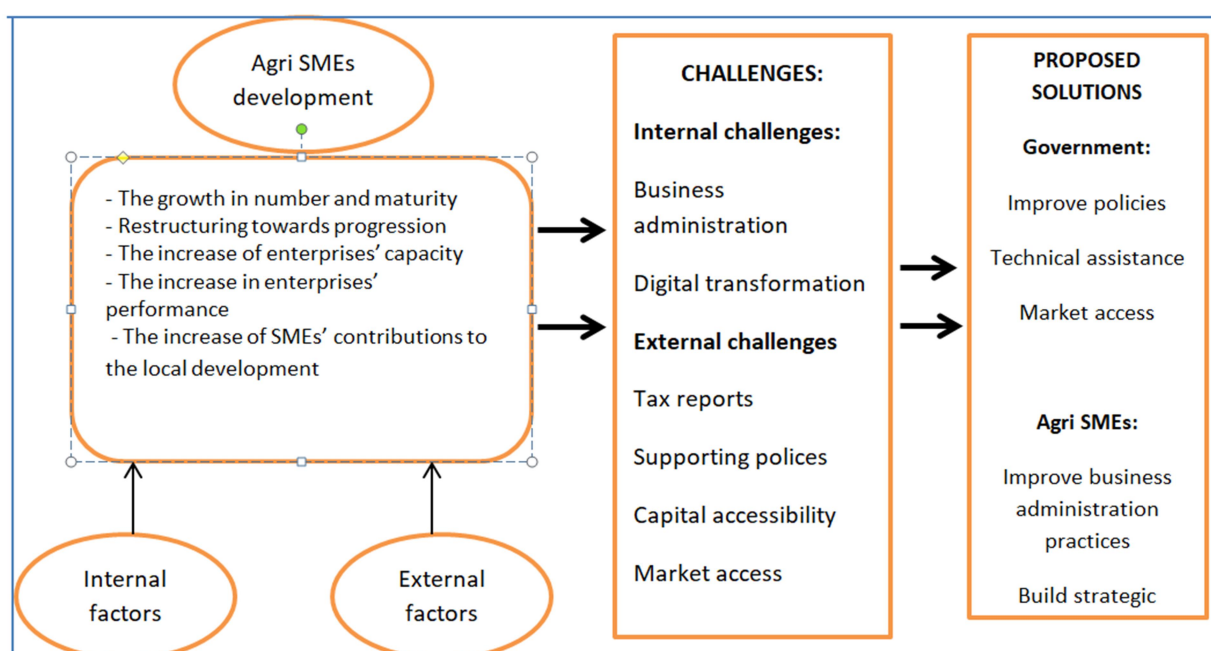


Figure 1. Analytical framework

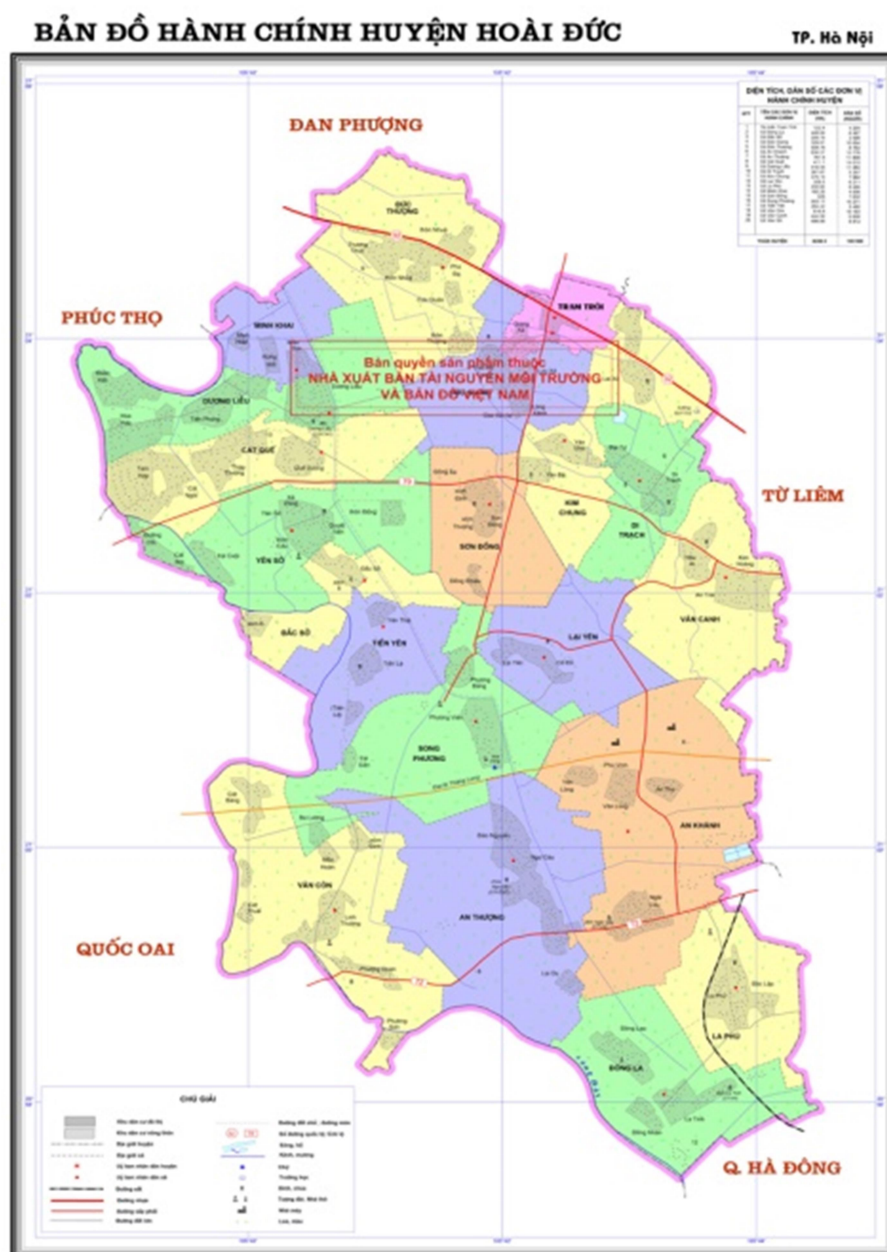


Figure 2. Hoài Duc district map

Table 1. List of agricultural SMEs owners in Hoài Duc district

No	Names of enterprise owners	No	Names of enterprise owners
1	Dang Van Soai	9	Nguyen Thi Thu Thao
2	Nguyen Quy Quynh Hoa	10	Pham Hong Quyen
3	Ta Quang Vinh	11	Mau Danh Cuong
4	Ta Tuy Duy	12	Hoang Van Ly
5	Nguyen Duy Cuong	13	Nguyen Khac Hue
6	Khuc Minh Vu	14	Nguyen Tien Chau
7	Dang Van Cuong	15	Tran Van Tinh
8	Do Van Chinh	16	Pham Dinh Nam

3. RESULTS AND DISCUSSION

3.1. Overview of agricultural SMEs in Hoai Duc district, Hanoi city

By 2020, there were 1,254 enterprises in the district. Categorized by size, 413 enterprises were medium, 451 were small, and 390 were micro-enterprises. It was found that no enterprises were large-scaled. Most of them were SMEs, accounting for 68.89%.

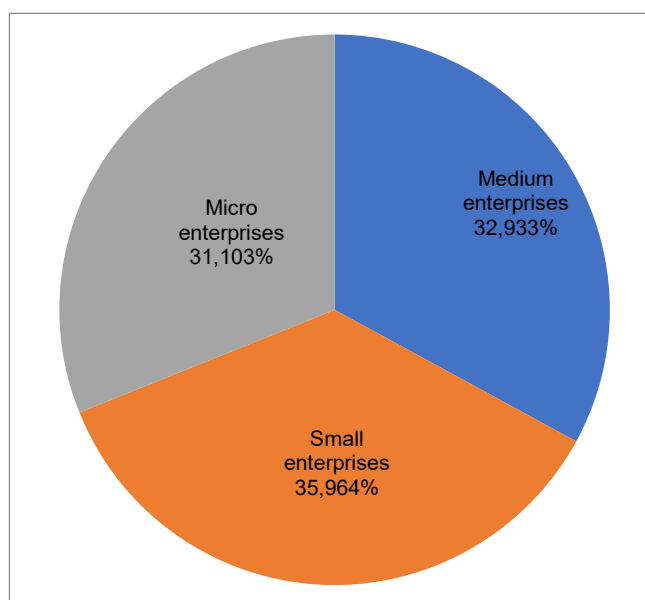
However, the number of agricultural SMEs was disproportionately small. There were 16 small-sized agricultural enterprises, accounting for 1.28% of all operating enterprises in the district. The absence of agricultural enterprises in Hoai Duc district could be firstly explained by the high rate of urbanization and the decreasing proportion of agriculture in recent times. As observed in other localities, private enterprises have been reluctant to strongly engage with the agricultural sector because of an unconducive business environment.

3.2. The development situations of agricultural SMEs in Hoai Duc district, Hanoi city

In 2018, in the whole district, there were 14

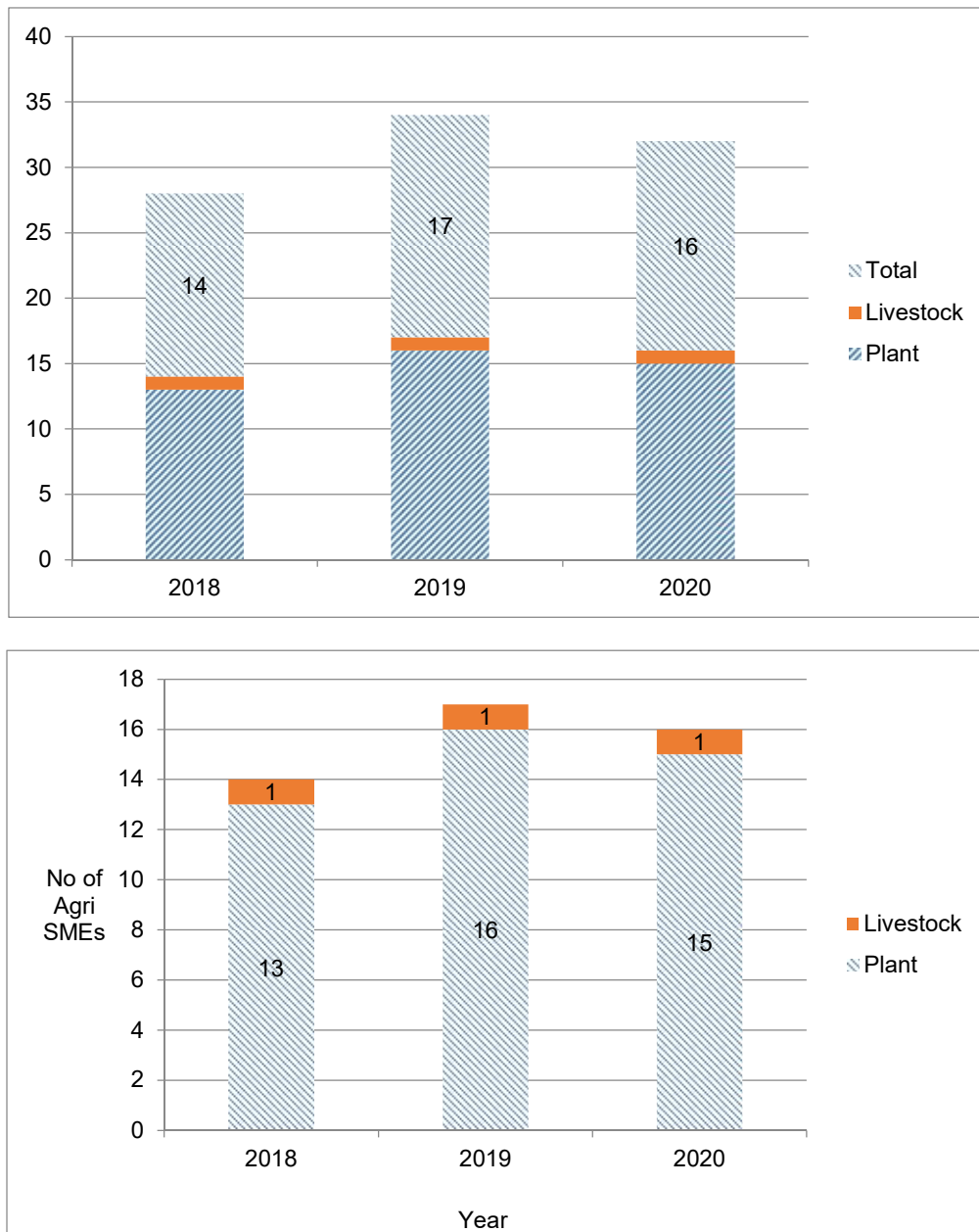
agricultural SMEs, 13 of which belonged to the cultivation field and accounted for 92.86%. There was only one livestock company, accounting for 7.14%. There have been no changes in the number of livestock companies over the three years since 2018. This means that the change in the number of these enterprises was due to changes in the number of plant-based enterprises only. In 2019, the number of these enterprises increased to 17, due to an extra three enterprises registering, causing a growth of 23.08%. However, one enterprise was dissolved in 2020, which made the number of these enterprises remain at 16 until now. In the period between 2018 and 2020, the general growth rate was 7.42%.

For the past few years, the number of agricultural SMEs has been stable and SMEs have focused on cultivation and livestock. The number of livestock enterprises did not changed in three years. The main reason is the government policy of not encouraging livestock development in urbanized areas. Perhaps, the development of agricultural SMEs in Hoai Duc district has targeted the cultivation of winter crops, flowers, and ornamental plants for the needs of urban residents.



Source: Bureau of Statistics in Hoai Duc district (2021).

Figure 3. Classification of enterprises by scale



Source: Bureau of Statistics in Hoai Duc district (2021).

Figure 4. Changes in the fields of agricultural SMEs in Hoai Duc district over time

In the district, agricultural SMEs can be grouped into two types, Limited Liability Companies (LLC) or Joint Stock Companies (JSC). In these enterprises, LLC dominates over others. In 2018, there were 11 LLC enterprises, accounting for 78.5%. The remaining three enterprises were JSC, equivalent to 21.43%. There was a structural shift among these enterprises in 2020 with the proportion of JSC increasing from 21.43% in 2018 to 25%.

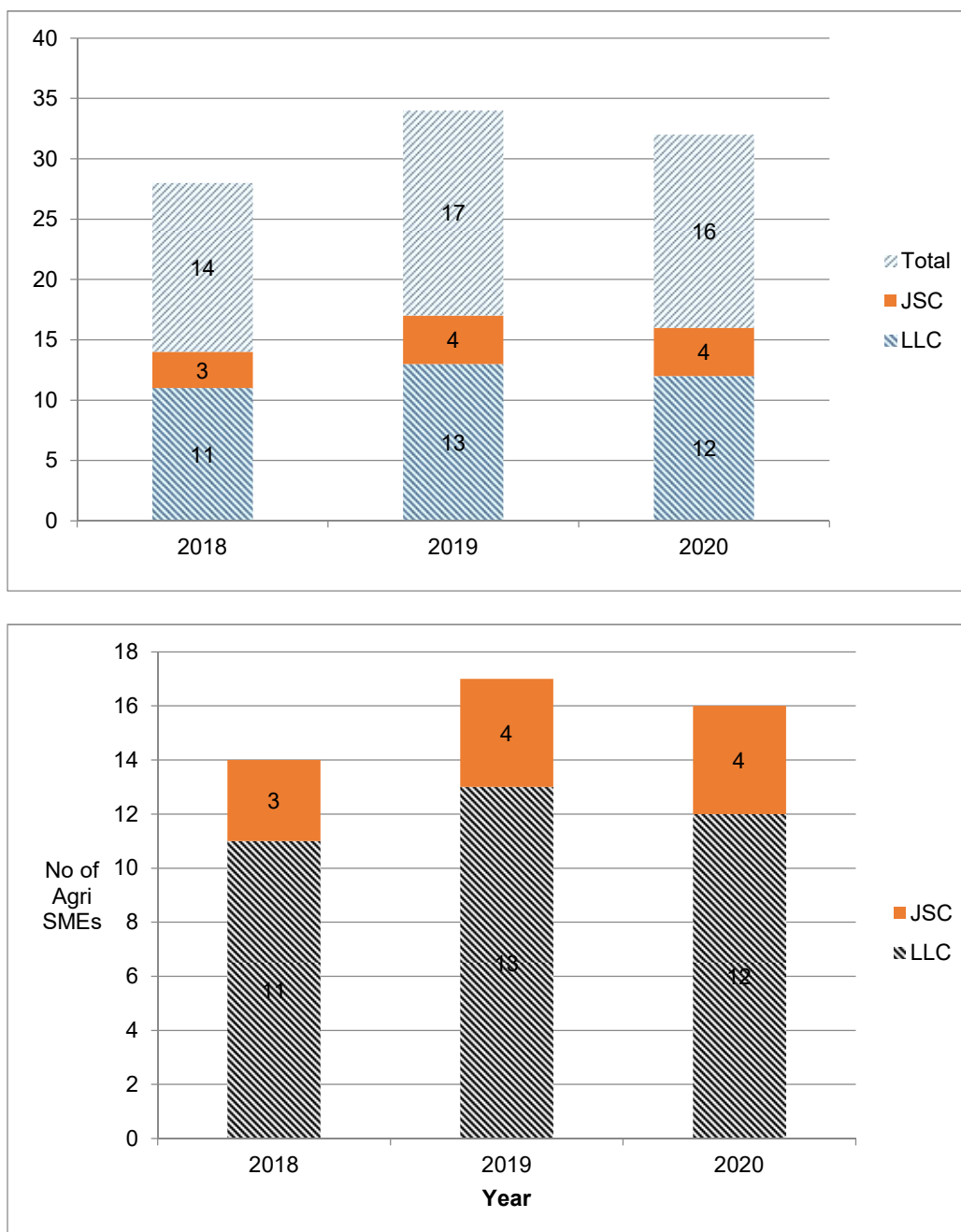
Modern management theory shows that sustainable enterprises are multi-owned in the form of JSCs. Because many shareholders are dispersed in JSCs, they have better control over resources. However, in Hoai Duc district, LLCs account for the majority due to their origins in households. Meanwhile, the JSC model is more expected but the number is small because the owners are not aware of the benefits of contributing to and sharing capital in a JSC. The

district is now in the process of rapid urbanization. Investment in agriculture is riskier and returns are lower than in other fields.

The sources of agricultural enterprises in Hoai Duc district

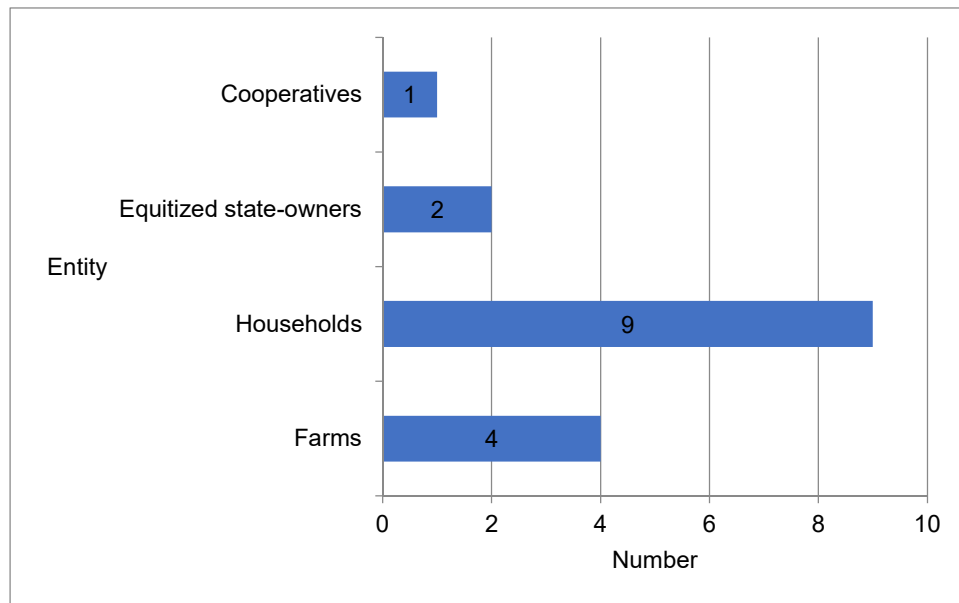
As can be seen in Figure 6, most agricultural SMEs in Hoai Duc district originated from farms and households. After a

process of resource and experience accumulation, they transferred into enterprises to grow. Therefore, enterprise owners tended to make decisions based on their own experiences without managerial knowledge. Even, to save operating cost, enterprise owners have been involved in some stages, causing low specialization.



Source: Bureau of Statistics in Hoai Duc district (2021).

Figure 5. Changes in the forms of agricultural SMEs in Hoai Duc district over time



Source: Collected survey data (2021).

Figure 6. Sources of agricultural enterprises in Hoai Duc district

Box 1. Challenges from Covid- 19

“The Covid-19 pandemic has not been completely controlled. We had to cut workers to stay afloat. Although we knew that it would be difficult to hire labor after that, we had no other choice.”

Notes: In-depth interview with Mr. Dang Van S, enterprise owner.

**Table 2. Number of agricultural SMEs
in Hoai Duc district operating profitably in the period of 2018-2020**

Indicator	2018			2019			2020		
	Total	Profitable enterprises	Rate (%)	Total	Profitable enterprises	Rate (%)	Total	Profitable enterprises	Rate (%)
Total	14	9	64.29	17	12	70.59	16	11	68.75
LLC	11	7	63.64	13	9	69.23	12	8	66.67
JSC	3	2	66.67	4	3	75.00	4	3	75.00

Source: Bureau of Statistics in Hoai Duc district (2021).

As analyzed before, it is clear that most of these enterprises come from households. The transition from households to enterprises is consistent with the current economic orientation in Vietnam. The results are optimistic as among the 16 operating enterprises, nine are from household economies and four are from farms. What if more households or farms continue to convert? District agriculture at that time must be more

modern, more professional, and more closely follow the principles of the market economy. As a result, the district's agriculture would change towards increasing the value addition and sustainable development, and participating more effectively in the value chain. This once again affirms that the agricultural SME development model is necessary, and is a good direction for sustainable urban agriculture development.

In 2018, the total number of employees working in agricultural SMEs in Hoai Duc district was 392. On average, around 28 laborers worked in each enterprise. The average number of employees of an enterprise over the years has not changed much. The growth rate of the number of employees in three years was 8.33%. Because most of the enterprises were small-scaled, maintaining a moderate number of employees is appropriate to save costs. In 2020, the average number of employees had a slight decrease compared to 2019 due to the impact of the Covid-19 pandemic, resulting in many enterprises having to cut back on hiring.

The Covid-19 pandemic caused heavy damages to businesses, including supply and labor shortages, and supply chain disruptions. However, the pandemic also taught the business community about the flexibility and adaptability of the supply chain in a new context.

According to Table 2, the percentage of profitable agricultural SMEs in the district increased over the years. In 2018, the rate of profitable enterprises was 64.29%, of which, this rate was higher in the JSC group with 66.67% compared to the LLC group with 63.64%. In 2019, the number of businesses increased, along with the rate of profitable businesses also increasing to 70.59%. The rates of profitable enterprises in the joint stock companies and limited companies groups were 75% and 69.23%, respectively. The trend of the rate of profitable enterprises in the joint stock companies group being higher than in the limited companies group was maintained for all three years. In 2020, due to the impacts of the Covid-19 pandemic, the rate of profitable businesses decreased compared to 2019 with the figure of 68.75%. However, this reduction rate was only in the LLC group, while in the JSC group, this ratio still remained at 75%.

In the process of development, agricultural SMEs in Hoai Duc district have made many contributions to local socio-economic development. These enterprises carry out social responsibilities and ethical business practices by paying taxes to the state budget. In addition,

creating jobs and generating income for local workers are the social contributions of the businesses to the community.

In Hoai Duc district, agricultural SMEs not only create more jobs for local workers, but also improve people's living standards. On average, each laborer received around 8 million VND monthly. In the context of the Covid-19 pandemic, the monthly income of employees was above the national average, but still lower than that of SMEs in other industries in Hanoi. It also hides the risk of labor mobility from agricultural SMEs to others.

3.3. Challenges for agricultural SMEs in Hoai Duc district

3.3.1. Internal factors

Business Administration:

Human resources representatives play the first and most crucial role in most enterprises. However, for agricultural SMEs in Hoai Duc district, this issue is also the first challenge since these enterprises have mainly originated from households instead of from individuals majoring in business administration, which leads to low professionalism in terms of management. Among the issues of business administration, personnel management reveals many challenges. Labor training is not a big focus due to the moderate requirements of the job.

Personnel management is a substantial challenge. Enterprises have not paid due attention to human resource management, which has led to difficulties in motivating employees to stay engaged for a long time and to contribute to the business, thus hindering improvements to labor productivity and capacity. However, the enterprises themselves also expressed a desire to improve the quality of labor.

Digital transformation:

Digital transformation is the process of using digital technologies to transform existing traditional and non-digital business processes and services, or creating new ones, to meet the evolving market and customer expectations,

thus completely altering the way businesses are managed and controlled, and how value is delivered to customers. Digital transformation

is needful because it allows enterprises to adapt to an ever-changing industry and continually improve their operations.

Box 2. Lack of funds to train workers

“Due to the characteristics of the agricultural sector, we mainly recruit unskilled workers. The company currently does not have funds for training and human resource development”.

Notes: In-depth interviews with Mr. Nguyen Tien C, an enterprise owner

Box 3. Promotion opportunities

“When I was recruited, the company only required a high school diploma, so now I work for the company, I don't think much about promotion opportunities.”

Notes: In-depth interviews with Mr. Nguyen Van T, a laborer.

Box 4. Desire to support human resource training

“We hope to be supported with short-term courses for employees and short-term courses on business management skills in the future”.

Notes: In-depth interviews with Mr. Ta Quang V, an enterprise owner.

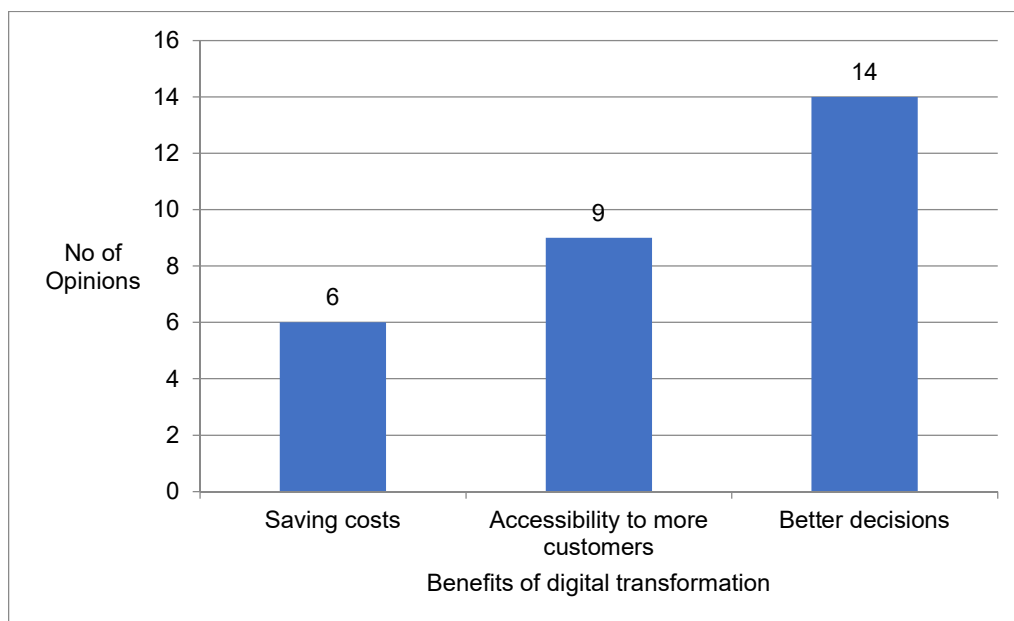


Figure 7. The awareness of enterprise owners on digital transformation's benefits

Box 5. Opinions of an enterprise owner about Decree 52

“Decree 52 only temporarily delays the implementation of the policy. Thus, after the suspension period ends at the end of 2021, the financial burden of enterprises accumulated. In the last months of 2021, the epidemic has not been controlled, I am afraid there will be more tax pressure”.

Notes: In-depth interviews with Mr. Nguyen Duy C, an enterprise owner.

Box 6. Opinions of local officials about Decree 57

“In our district, there are only a few small and medium-sized enterprises in agricultural production on the list of investment incentives according to the criteria of Decree 57. Among these, the procedures to receive incentives are also very complicated”.

Notes: In-depth interviews with Mr. Nguyen Trong L, local official.

Many agricultural SME owners believed that buying software is the main way to digitally transform their business, but were not aware of the benefits digital transformation can have on reducing operating costs, reaching more customers, making reasonable decisions, and optimizing employee productivity. Among the 16 agricultural SME owners who were asked about the benefits of digital transformation, 14 opinions revealed that they could make better decisions in business administration. Nine owners thought that digital transformation was more favorable for them to access more customers. Just six managers realized that digital transformation could help them to save costs. Ninety-nine percent of SMEs have capital difficulties, so digital transformation is considered to be the playground of big enterprises.

These results reflect that fact that the owners are farmers who have not yet adapted to digitization. Especially, in the period of the Covid-19 pandemic, it was shown that digital transformation is urgent. Therefore, it is necessary to continue training and fostering awareness of the benefits of digital transformation.

3.3.2. External factors

Tax reports:

Due to the impact of Covid-19 on enterprises, the Government has promulgated Decree 52/2021/ND-CP about the deferrals of value-added tax (VAT), corporate income tax, and personal income tax. It allows an extension of five months for VAT and three months for income tax. Most SME owners showed their satisfaction with the support, which was reasonable and timely, in helping businesses have more cash flow to maintain production and create jobs, and provide a stable income for thousands of employees. Instead of having to

manage everything to have the financial resources to pay taxes on time every year, businesses have fewer stresses thanks to the extension of tax payments and land rent. The provincial tax industry quickly and seriously implemented the policy of the Government to share the difficulties and challenges facing the business community and taxpayers.

Decree 52 was Government's response to helping the business community through the Covid-19 pandemic. However, some businesses still expressed concerns and have been reluctant to apply.

Policies to attract agricultural SMEs:

At the moment, agricultural SMEs in Hoai Duc district have benefited from two main supporting policies. The first one, Decree 39/2018/ND-CP, was promulgated in 2018 and supports SMEs through the SMEs Development Fund. However, the collateral requirements are considered obstacles. Besides, the policy is aimed at SMEs that belong to start-up businesses, and SMEs joining industry clusters or value chains. The second one is Decree 57/2018, which supports enterprises investing in the agricultural sector. However, the drawbacks are a limited list of incentives and complicated procedures. Decree 57 focuses on the exemption and reduction of land use fees and land rents for enterprises that belong on the list of investment incentives, namely afforestation, forest protection, medicinal plants, organic agriculture, concentrated livestock, poultry, aquaculture, and plant seed production. Meanwhile, in Hoai Duc district, there are only a few enterprises on the list of investment incentives. The procedure to receive the benefits is also very complicated.

Although there are a few policies in place to attract agricultural SMEs, in practice, it is

difficult for SMEs to receive support because of strict regulations and the scope of targeted entities. Therefore, it is necessary to supplement relevant policies to support the right entities that they need.

Even in the content of Decree 57, there are many unreasonable points. The Decree provides support on loan interest rates but does not mention the problem of borrowing barriers. Moreover, training support is offered, but the Decree is not particularized to agricultural entrepreneurs.

Capital accessibility:

Accessing official credit is challenging due to various reasons. SMEs still have limited information on accessing bank loans and lack the capacity to prepare loan applications. More than 80% of the enterprises revealed that the current commercial banks' borrowing processes and procedures are somewhat complicated for SMEs. Besides, strict lending conditions have caused nearly 70% of SMEs to not meet the requirements. This can be explained in that the financial and accounting information of SMEs leads to difficulties in verifying loan applications for SMEs at commercial banks. Moreover, 75% of SMEs revealed that short-term loans were not relevant for medium and long-term projects in agricultural production. Meanwhile, 62.5% expressed that the interest rates are high and loan limits are low.

Market access:

Agricultural SMEs in Hoai Duc district are selling their products via a variety of channels, mainly supermarkets and E-commerce sites. Nowadays, consuming agricultural products via online trading is highly encouraged due to the project "Innovation of business methods of consuming agricultural products, period 2021-2025, orientation to 2030". This project is expected to diversify the methods of consuming agricultural products in a sustainable chain, and should bring higher prices and more stable consumption.

Currently, there are a few E-commerce sites where agricultural SMEs in Hoai Duc district can register, introduce, and advertise their products, such as chonhaminh.vn, postmart.vn, and agri-postmart.vn. Due to these E-commerce sites, both customers and SME sellers are better off. These sites give customers additional channels to enjoy such agricultural products, which are qualified by agricultural agencies in terms of quality and sources. They also help these enterprises as sellers to promote and increase their sales because of higher prices and more stable consumption, allowing them to further build their new brand. Especially, in the context of social distancing during Covid-19, the new distribution channels have played important roles as online bridges to match the supply and demand of necessities.

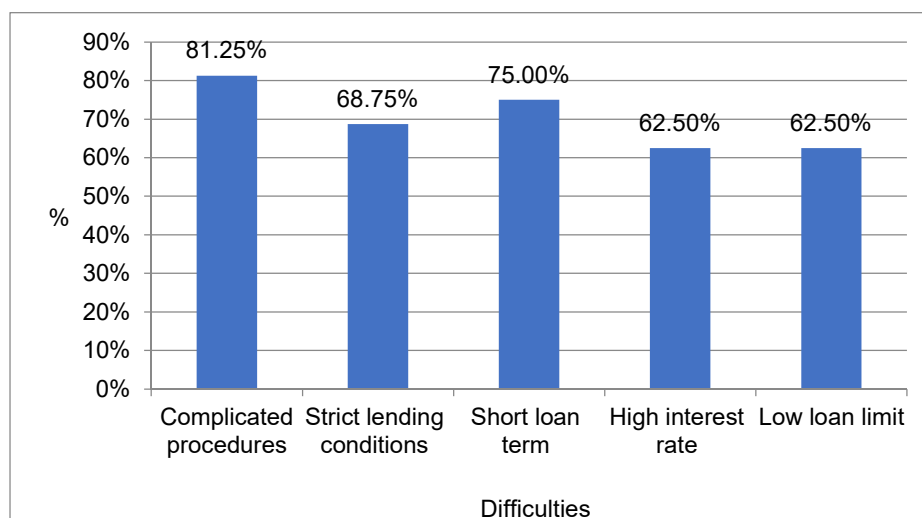


Figure 8. Barriers to accessing capital in agricultural SMEs in Hoai Duc district

Box 7. Opinion about capital accessibility

“The current administrative procedures are too complicated. Although we have a certificate of land use right, they still require a document that certifies the legitimacy and authenticity as collateral. In addition, the lending conditions of the banks are also very tight, the bank requires a medium business strategy and a new loan term, so it is difficult for us to meet”.

Notes: In-depth interviews with Mr. Ta Tuy D, an enterprise owner.

However, the number of agricultural products currently consumed on e-commerce platforms is still modest. SMEs owners are still confused because of new distribution channels, caused by the fact that stall cares are not well-decorated enough to attract the consumers' sight. SMEs do not yet get on well with the application of digital platforms, causing interactions to not be made regularly. This is such a critical challenge for these SMEs in the district in the context of the Covid-19 pandemic, and because they have not yet utilized these new distribution channels, they have not been able to get a greater market share or adapt to the new normal.

4. CONCLUSIONS

The study identified a variety of challenges that agricultural SMEs in Hoai Duc district were facing. Internal challenges refer to their weakness in business administration and low digital transformation while external challenges include the issues of tax reports, capital accessibility, and market access. There was also a critical misalignment between the design of policies and their expectations.

To tackle these challenges, it will be necessary to seek solutions from the Government and businesses simultaneously. The role of the Government should be to improve supporting policies that facilitate the growth of agricultural SMEs, such as reducing taxes on agricultural products, providing agricultural technical assistance necessary, and assisting access to markets. On the other hand, agricultural SMEs themselves need to improve their efficiency in business administration and their proper awareness of the role of digital transformation.

In addition, SME owners should build strategic partnerships with other businesses to share knowledge, resources, and expertise.

The limitations of the study are that the geographical space was restricted to one district and a limited time frame. Upcoming studies are expected to be conducted in a larger area to include the whole province in order to make broader contributions, both in theory and in practice, to the development of Hanoi's agricultural SMEs.

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