

CHALLENGES FACING WOMEN ENTREPRENEURS IN VIETNAM

Nguyen Thuy Anh¹

Hoang Thi Thuy Duong²

Abstract

Although Vietnamese society is above average level of masculinity orientation, number of womenled enterprises in the country is still now increasing. This has been the result of many changes related to gender and other supporting activities from the community. The main objective of the research was to unravel the challenges faced by female entrepreneurs in some main cities and provinces in Vietnam. Results were derived through a survey with 171 respondents and qualitative in-depth interview based study of a sample of 15 women entrepreneurs operating in different districts in Ha Noi, Ho Chi Minh City. These women are doing business in different fields and most of them are in sectors that are suitable with women such as hair and beauty, food, textile, education,... The research concluded that Vietnam women entrepreneurs face constraints mostly in matters related to access to finance, lack of information on market data, lack of access to resources and lack of digital distribution channels. Besides, nearly 30 percentages of them are still unable to control their income from the business which is one of the result of family's influences to the business decision.

Keywords: women, Vietnam, entrepreneur;

Date of receipt: 7st Dec. 2017; **Date of revision:** 15th Jun. 2018; **Date of approval:** 1st Jul. 2018

1. Introduction

Entrepreneurship is considered to be one of the most powerful factors in poverty releasing and economic growth around the world. In which, the role of female entrepreneur has been undeniable. In the United States, for instance, although there may be 27% fewer women entrepreneurs, they create enterprises

at double the overall rate, and the enterprises created by women stay active longer (Hisrich et al. 2006). In Vietnam, women entrepreneurs contributed considerably to the job creation and economic development. World Bank 2009 reported that 60% of the firms surveyed had female participation in ownership and management. Recently, even though female entrepreneurs gain more attention from the

¹ Foreign Trade University, Vietnam. Email: nthuyanh@ftu.edu.vn

² Foreign Trade University, Vietnam. Corresponding author: duonghtt@ftu.edu.vn

Government and other related parties in the community, it seems that their role in economic development still not yet unleashed. This is due to challenges that women face in the business environment. Even though there are several researches on the constraints of Vietnam women entrepreneurs, this paper focuses to investigate the challenges relating to environmental and financial factors they encounter when running or managing their business, particularly these constraints in supporting activities/services of their business. In this way, the result of this paper can support previous studies to find out the biggest challenges as well as propose the most appropriate recommendations to improve the role of Vietnam women entrepreneurs in economic development.

2. Literature Review

Entrepreneurship relates to the concepts of innovation and creativity and it generally involves the identification and exploitation of business opportunities culminating into an enterprise or business firm (Hisrich et al. 2006). Besides, entrepreneurship is considered as a power drive of any economy particularly because the recent global economic downturn has necessitated most developing nations of the world to consider entrepreneurship, precisely small and medium scale enterprises as the positive option for economic re-engineering and building (Lambing et al., 2007).

Women entrepreneurs are described as a group of women who take initiative to establish and effectively run or manage businesses (Mohanty, 2009). It is important to note that female entrepreneurship is mostly related to small and medium enterprises because SMEs give women the opportunities

to express their entrepreneurial talents (Tambunan, 2008).

Relating challenges of women entrepreneurship, Mansor (2005) stated that financial, environmental, psychological, and sociological factors are four elements impact the involvement of women in entrepreneurship. Financial factors may include insufficient finance, deterrents of tax system, inhibiting consequences of red-tapism and regulations, failure in policy implementation as regards promotion of small businesses, lack of prior financial education and experience, and other relevant factors. Environmental factors consist of availability of venture capital, presence of experience entrepreneurs as well as technically skilled labor force, accessibility of suppliers and customers or new markets, government influences, availability of land and other facilities, accessibility of transportation, supporting services and improved living and developmental conditions of local communities (Mansor, 2005; Moses, Olokundun and Akinbode 2014). Psychological factors may include capacity and inclination to risk as regards venture creation, internal locus of control, need for achievement, and being proactively disposed.

Finally sociological factors may include; family influence, role model, and specifically the role of women in the society. Hence, Mansor (2005) concluded that the presence of these factors motivate the readiness to venture into entrepreneurial activity. Thus this study stems from the theoretical underpinning of Mansor's theory as a basis for articulating the challenges facing female entrepreneurs as presented in this study.

Figure 1: Factors affecting women entrepreneurial motivation

Source: Mansor 2005, Moses et al. 2015

Seeing that the sociological factors and psychological factors have been improved gradually as the legal framework for Vietnam women entrepreneurs to operate fairly as male counterparts has been updated, these still exist some other barriers to them including financial challenges namely access to credit of banking and financial institutions, access to investors...and environmental challenges including information access on market data, access to resources, digital distribution channels, infrastructure barriers, logistics challenges, access to training, mentoring, networking, marketing channel...

A study by Karim (2001) found that financial challenges were the most common problems faced by women entrepreneurs in Bangladesh and inadequate financing was ranked first. A variety of studies (Boden and Nucci, 2000; Du Rietz and Henrekson, 2000; Watson, 2003) stated that women were more likely to discontinue their businesses although not because of business failure but because of financial constraints. Starcher (1996) suggested that women in developing nations have little access to funds due to the fact that they mostly locate in poor rural communities with few opportunities to borrow money. Women entrepreneurs also lack external funding because of their inability to provide tangible collateral, so they are forced to rely on their savings and

loans from relatives and friends. According to Indarti and Langenberg (2005), several empirical studies have concluded that the lack of access to capital and credit schemes and the constraints of financial systems are regarded by potential entrepreneurs as main hindrances to business innovation and success in developing economies.

Another big challenge to female entrepreneur is networking ability. Networks represent a means for entrepreneurs to reduce risks and transaction costs and also to improve access to business ideas, knowledge and capital, gain advice...However, the networks women in developing countries are involved in are usually a reflection of personal and traditional networks which at best facilitates family related tasks of women which may not support business purposes (Lin, 1999). Therefore, women in these countries have limited access to relevant resources, support and information provided by social networks which is necessary for venture startups and management (OECD 2004).

Other big challenge to female entrepreneurs is limited access to formal education and training programs. A study by Charney and Liebecap (1999) found that entrepreneurship education produces self-sufficient enterprising individuals, produces successful business and industry leaders, enhances a graduate's ability to create wealth and produces champions of

innovation. In Uganda (UNIDO Document, 2003), women entrepreneurs in rural areas suffer from a lack of training and advisory services that would allow them to upgrade their managerial and technical skills and solve immediate production problems, thus improving productivity and increasing profitability. According to Ayadurai (1987) women entrepreneurs in Morocco faced a lack of operational and managerial skills resulting in low productivity and competitiveness. However, due to a lack of technical skills, lack of confidence, strong individual involvement and the willingness to take risks, women are often unable to establish and sustain successful businesses. A study by Richardson et al. (2004) on women entrepreneurs in Africa reveals that many women entrepreneurs in Africa feel they lack abilities, skills and expertise in certain business matters.

In 2007, ILO's study on Women's Entrepreneurship Development in Vietnam revealed that at least 80% of women entrepreneurs mentioned that high pressure from work and family and lack of time is a constraint for their business (ILO 2015). They bear a double workload due to the combination of income earning and family care. The next important constraint of women entrepreneurs is a perceived weakness in establishing social relations and communication, followed by low educational attainments. IFC (2006) surveyed 473 women entrepreneurs in Vietnam and conducted in-depth interviews with over 80 of them to learn more about the challenges they confront. The results showed several barriers such as limited entrepreneurial and women-only training, access to finance and an official channel or "home" through which they could relay their particular business concerns to policymakers.

3. Research Methodology

In order to have deeply understands of challenges faced by women led businesses in Vietnam, authors used surveys as well as semi-structured interviews. The approaches to gather required information were different across groups of female entrepreneur. For those who have some knowledge of technology literacy, we used interview and online questionnaire to collect information. For those who have limited literacy in language and technology, information was collected via direct interview or mobile phone (with female entrepreneurs who live far from Hanoi). Besides a random survey with 171 respondents, mostly in the two big cities – Ha Noi and Ho Chi Minh, a qualitative in-depth interview-based study of a sample of 15 selected women entrepreneurs operating in different districts in Ha Noi, Ho Chi Minh City was conducted to get deeper research about the obstacles that the CEO of women-led businesses have to deal with. We tried to choose the interviewees in wide range of business field and size of business. Many of the interviewees were chosen from some main business associations such as Keiejuku Club, Hanoi entrepreneurs Association, ... Other small size enterprise leaders were invited to participate in the research base on the business field and suggestions of some experts. The data was then analyzed using MS Excel.

4. Results and Discussions

4.1. Respondents' Characteristics

Of the 171 respondents, 32 % were below 25 years, 34 % were between 26 and 35 and 20 % were between 36 and 45. Respondents of age between 46 and 55 accounted for 11 % and only 3 % of female entrepreneurs

who participated in this research were about the age of 55. Almost their businesses are micro size entrepreneur with only 1 to 10 employees (nearly 80 % of all business). These figures demonstrated that the sample cover female entrepreneurs in different range of age and focus on young people under 45. The number of companies that has from 15 to 300 employees is 30 which accounts for 18 %. Especially, there were 11 % of respondents doing business without any

employees by opening retail shop at home. Of the respondents 42 % had been in business for less than 3 years, 29 % between 3 and 5 years, 10 % between 6 and 9 years whilst 19 % has been in business more than 10 years. This fact points out that Vietnamese women participated in business for a long time (some of the respondents has been in business in nearly 30 years) as because of the government policy and social supports.

Table 1: Demographic information of respondents

| Variable | Class | Frequency | Percentage |
|---------------------------|---------------|-----------|------------|
| Age | Below 25 | 55 | 32 % |
| | 26 - 35 | 58 | 34 % |
| | 36 - 45 | 35 | 20 % |
| | 46 - 55 | 18 | 11 % |
| | Over 55 | 5 | 3 % |
| Number of employee | 0 | 18 | 11 % |
| | 1 - 2 | 53 | 31 % |
| | 3 - 5 | 38 | 22 % |
| | 6 - 10 | 24 | 14 % |
| | 11 - 15 | 8 | 5 % |
| | Over 15 | 30 | 18 % |
| English level proficiency | None | 38 | 22 % |
| | Basic | 60 | 35 % |
| | Intermediate | 29 | 17 % |
| | Fluent | 44 | 26 % |
| Education | Primary | 2 | 1 % |
| | Secondary | 5 | 3 % |
| | Tertiary | 47 | 28 % |
| | University | 117 | 69 % |
| Years running business | Below 1 year | 24 | 14 % |
| | 1 - 2 years | 47 | 28 % |
| | 3 - 5 years | 50 | 29 % |
| | 6 - 9 years | 17 | 10 % |
| | Over 10 years | 33 | 19 % |

Data in Table 1 was also gathered to establish the level of education and English level proficiency that had been attained of respondents. Among 171 respondents, 4 % of the entrepreneurs did not pass the high school level, 28 % has tertiary degree and the rest has bachelor degree and postgraduate degree. Education level is one of the reasons why these female people decided to run business as their lack of education qualification make them get obstacles in being employed. English level of female entrepreneurs is considerably good as 78 % of respondents have English proficiency level from basic to fluent. Persons who have low English level often run business in the sectors that do not

need to contact with foreign customers and apply modern technology such as small-size retailing, wood and food.

Table 2 shows the characteristics of the industry that women entrepreneurs have been operating. Some common industries that female entrepreneurs involved in are hair and beauty (19.9 %), food (13.5 %), textile (12.3 %) and retailing (many of respondents are doing business in trading and distributing sector and they are in “others” category). Just only small amount of women-led business are in male-dominated industries such as metal, leatherwork, building, chemicals, motor vehicle, electric/electronic.

Table 2: Industry Characteristics

| Classification | Frequency | Percentage |
|-----------------------------|------------------|-------------------|
| Food | 23 | 13.5 % |
| Textile | 21 | 12.3 % |
| Wood | 9 | 5.3 % |
| Finance | 11 | 6.4 % |
| Metal | 1 | 0.6 % |
| Handcrafts | 2 | 1.2 % |
| Leatherworks | 2 | 1.3 % |
| Building | 7 | 4,1 % |
| Chemicals | 2 | 1.2 % |
| Electric/electronic | 5 | 3 % |
| Motor vehicles | 1 | 0.6 % |
| Plastic and waste recycling | 2 | 1.2 % |
| Hair and beauty | 34 | 19.9 % |
| Other | 50 | 29.2 % |

4.2. Challenges facing women entrepreneurs

After collecting and analyzing data, the constraints of Vietnamese women entrepreneurs were divided into 4 big categories: access to finance, access to business resources and market data, access to social networking and access to professional training and mentoring.

4.2.1. Access to finance

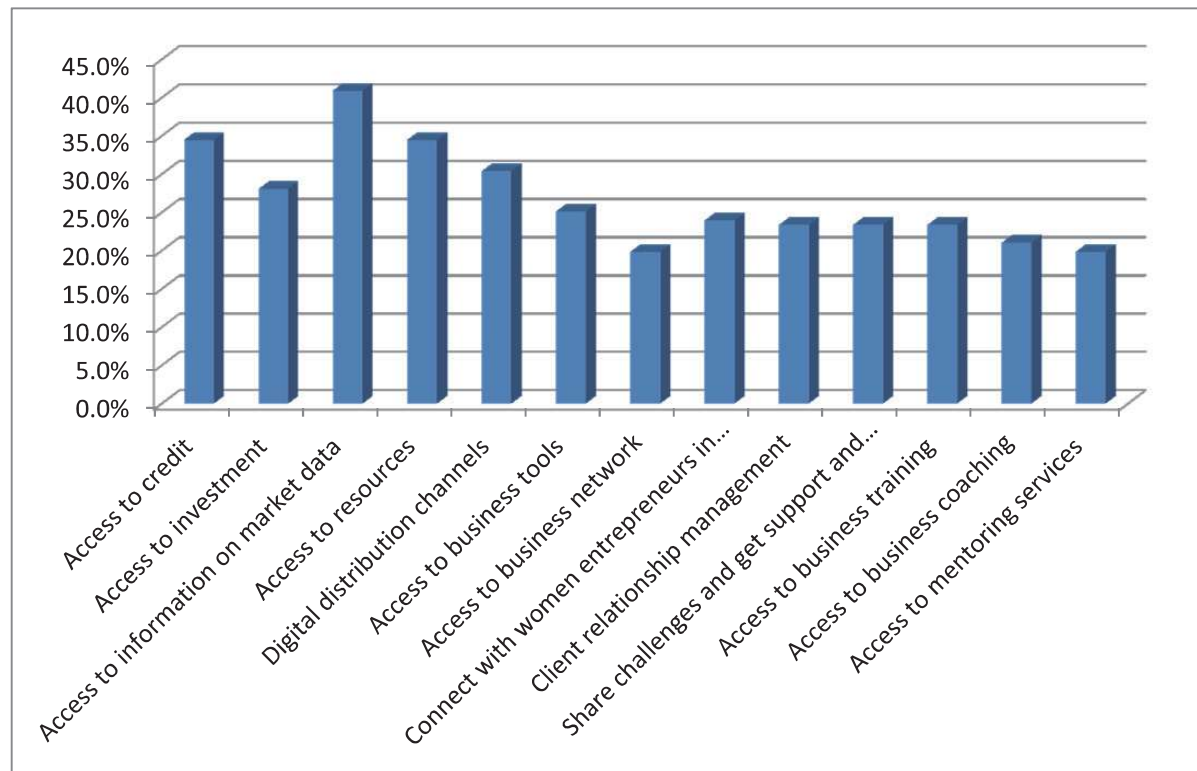
Access to finance is second constraints faced by women entrepreneurs in Vietnam as perceived by approximately one third of respondents. Among that 59 out of 171 entrepreneurs stated that lack of access to credit is their challenges and 48 out of 171 entrepreneur faced with obstacles in access to investment. The reasons for these facts stand in the lack of financial resource as the main capital resource of Vietnamese women entrepreneurs is from bank; although many of the borrowers cannot satisfy the banks' regulation. For example, female leaders may lack of collateral asset, credit record and lack of clear and persuasive business plan. Doing business in developing country, the barriers to access finance from investors are still high and in many cases, they have to borrow capital from family members or from "grey market" with very high interest rate. These results were consistent with the finding of many researches from different countries regarding the difficulty of female entrepreneurs in obtaining financial resource such as Ghana (World Bank, 1994), Zimbabwe (Mauchi, Mutengezanwa, Damiyano, 2014), Bangladesh (Karim, 2001).

4.2.2. Access to business resource and market data

Constraints related to access to business resource and market was of maximum significance as many of respondents said they have to challenge with lack of information from market data (40.9 %), lack of access to resource such as raw material, skilled labors, etc.. (34.5 %), inability to access digital distribution channels such as online market place to buy and sell (30.4 %), lack of access to business tools such as accounting, stock management. All of these constraints mentioned above all mainly related to high tech and digital tools and methods in doing business because of low quality technology platform and limited access abilities of Vietnamese users. Especially, accessing to market data required enterprises to invest heavily on buying data or conducting market research, which just a small amount of entrepreneurs was ready to do. Another obstacle from government control aspect which had challenged female entrepreneurs was infrastructure limitation (e.g. roads, utilities, etc. ...) with 22 % respondents mentioned. Compare to previous research in Vietnam and in other countries, the concern of female entrepreneurs has changed to technical and operational aspect. They are now highly involving in other activities in business process and more concern to input and output information rather than only financial resources or network resources.

4.2.3. Access to social networking

Although social networking is perceived as important factor to improve company's performance, 121 female entrepreneurs were of the opinion that they found challenges in creating social and customer network as they

Figure 2. Main challenges faced by Vietnamese female entrepreneurs in doing business

Source: Analysis from authors' data

had to manage their time in doing private work and take care for their families. The figure shows that 19.9 % of respondents think that building business network was their obstacles, while 24 % of respondents want to connect more closely to women entrepreneurs in other countries. They also use social network as a channel to share challenges and get support and advices, which were still an obstacle for 23.4 % of respondents. These fact shows that Vietnamese women CEOs now want to integrate to outside activities from business network in Vietnam and also other countries, which helps them to improve their knowledge and business performance.

4.2.4. Access to professional training and mentoring

Data collected in these categories includes challenges in accessing business training,

business coaching and mentoring services. Approximately 20 % of respondent think that they have problem in all of these matters. One of the reasons is that there are plenty of choices for them to be trained and coached as the development of business training market in Vietnam, especially in two big cities Ha Noi and Ho Chi Minh. Their obstacles are how to manage time to participate in training program and which program fit their demands.

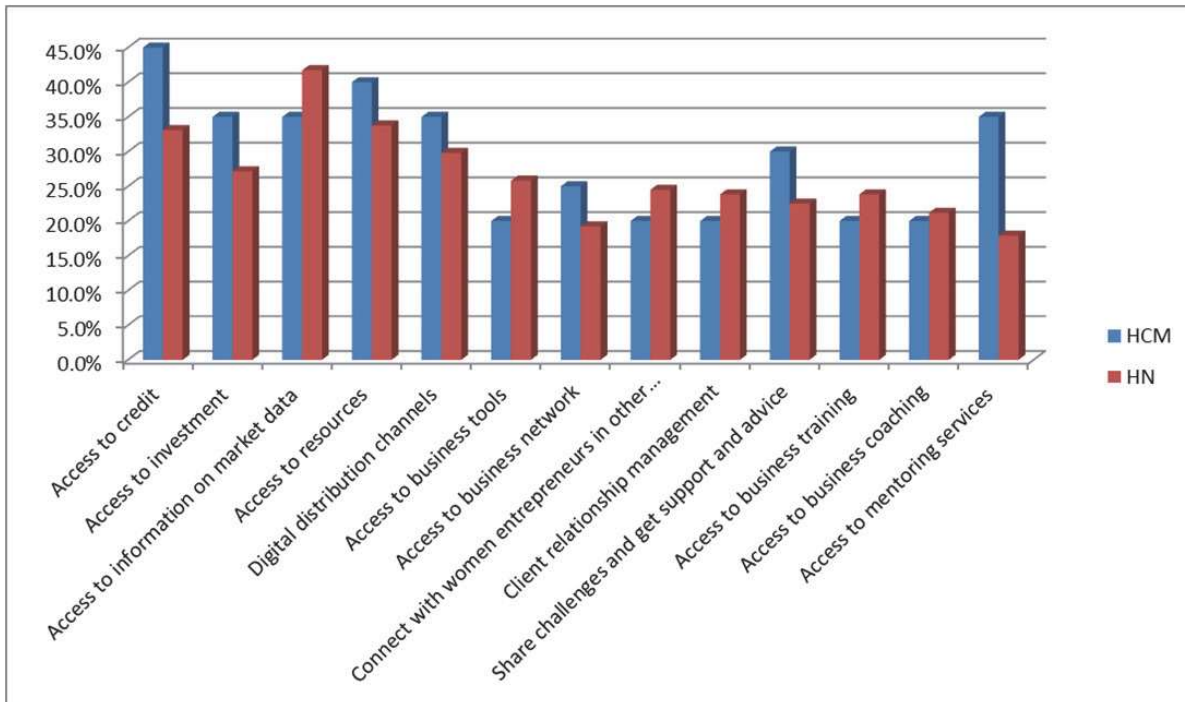
4.2.5. The influence of region to the challenges facing female entrepreneurs

The research was conducted in two big business regions in Vietnam which are Ha Noi and Ho Chi Minh City. These two cities have their own business style and characteristic: one is more practical and high speed focus (Ho Chi Minh City) than the other. Because of this reason, the difficulties that female

entrepreneurs in Ho Chi Minh City have to cope with were in finance access, business resource exploration and access to advice and mentoring services which help them in everyday operational business activity. In Hanoi, women CEO want to handle the

problems in their access to data and business tool, the chances to open relationship with entrepreneurs locally and in other countries. They also want to be trained and coached in basic level rather than being mentored in actual business activities.

Figure 3. Main challenges faced by Vietnamese female entrepreneurs in two different regions



Source: Analysis from authors' data

5. Conclusion

With the research of 171 women entrepreneurs in Ha Noi and Ho Chi Minh City which are business hubs of Vietnam, some main characteristics of female – led enterprise's CEOs were revealed. Almost of them is under the age of 45 and have been running small size businesses in less than 10 years. The research concluded that women entrepreneurs face constraints related to four main big issues which are access to finance, access to business tools and data, access to social networking and access to professional training and mentoring. Among that, getting

capital and accessing business resources and market data are two most difficult obstacles of Vietnamese women entrepreneurs.

Although nearly 30 percentages of respondents are still unable to control their income from the business which is one of the result of family's influences to the business decision, the other main reason for this figure is the fact that many of these female entrepreneurs have been leading family's business which can explain the influence of their income to their parents and husbands. In general, the power of Vietnamese women has considerably increased in recent years

as the government's policy to promote their social position. But there are some other implications for promoting female entrepreneurs such as: providing financial package for female entrepreneurs at low interest rate and less requirement; improving business infrastructure and organizing more local and international business network for women entrepreneurs in Vietnam.

Women entrepreneur community has contributed important part in Vietnamese business development, therefore building supporting policy and project to promote

this sectors base on handling their business challenges is crucial. Because the research was only surveyed groups of female respondents in two big cities which are Ha Noi and Ho Chi Minh; the whole picture of challenges facing female entrepreneur communities in Vietnam is still not fully explored. Future researchers can continuously deepen this topic by conducting empirical research in more different provinces and focus on the small size women led business which are the objects that need more support from the policy makers and society.

References

1. Ayadurai, D. (1987). *The Employer, the Employee and the Law in Malaysia*. Butterworths: London
2. Boden, B.J. and Nucci, A.R. (2000). On the survival prospects of men's and women's new business ventures. *Journal of Business Venturing*, 15(4), 347-362.
3. Charney, A. and Libecap, G.D. (2000). *Impact of Entrepreneurship Education*. Kauffman Centre for Entrepreneurial Leadership.
4. Du Rietz, A. and Henrekson M. (2000). Testing the female underperformance hypothesis. *Small Business Economics*, 14(1), 1-10.
5. Hisrich, R.D., Peters M.P. & Shepherd D. A. (2006). *Entrepreneurship 7th edition*. Boston: McGraw Hill.
6. Indarti, N. and Langenberg M. (2005). *Small and Medium Enterprises Development Center (SMEDC)*. Gadjah Mada University, Yogyakarta, Indonesia.
7. International Finance Corporation (2006). *Women Business Owners in Vietnam: A National Survey*. Private Sector Discussion Paper No. 21, Hanoi, Vietnam: March 2006. Retrieved from <http://www.ifc.org/ifcext/mekongpsdf.nsf/Content/PSDP21>
8. International Finance Corporation (2006). *Voices of Vietnamese women entrepreneurs*.
9. ILO (2011). *Women's Entrepreneurship Development in Vietnam: Learning from Good Practice*.
10. ILO (2015). *Women empowerment through business member organizations: Vietnam's landscape*.

11. Karim, N.A. (2001). *Jobs, Gender and Small Enterprises in Bangladesh: Factors Affecting Women*
12. *Entrepreneurs in Small and Cottage Industries in Bangladesh*. SEED Working Paper No. 14. International Labour Office, Geneva.
13. Lambing, P.A. & Kuehl, C.R. (2007). *Entrepreneurship*, 4th ed. New Jersey: Prentice Hall.
14. Lin, N. 1999. Social networks and status attainment. *Annual Review of Sociology*, 25, 467- 487.
15. Mansor, N. (2005). *Women in Business: Determinants for Venturing in Malaysians SMEs*. Retrieved from www.tbs.ubbc/uj.ro/studia/articol_4_2_2005
16. Mohanty, S.K. (2009). *Fundamentals of entrepreneurship*. New Delhi: PHI Learning.
17. Moses, C.L., Olokundun, M.A., Falola, H., Ibidunni, S., Amaihian, A. & Inelo, F. (2015). A Review of the Challenges Militating Against Women Entrepreneurship in Developing Nations. *Mediterranean Journal of Social Sciences*, 7 (1).
18. Moses, C.L., Olokundun, M.A., & Akinbode, M. (2014). Determining Women Entrepreneurial Motivation: A Review of Theoretical Models. *International Journal of Small Business and Entrepreneurship Research*, 2 (3), 43-54.
19. Mauchi, F. N., Mutengezanwa, M., Damiyano, D. (2014). Challenges faced by women entrepreneurs: A case study of Mashonaland Central Province. *International Journal of Development and Sustainability*, 3(3), 466-480.