Determinants of business performance of the firms: A case of the construction listed enterprises in Vietnam Stock Market

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C H R O N I C L E	A B S T R A C T
	This research aims to investigate the determinants of business performance in Vietnam small and medium sized firms. The study employs a sample of 100 construction-listed enterprises in the Vietnam Stock Market. The author collects data on time series of October 2020 based on the financial statement and annual reports of the Vietnam construction listed companies. The survey data are collected by email and internet sources. This study also identifies the factors that affect the business performance enterprises in Vietnam. The author processed data via STATA 14.0 and SPSS 20.0 software. The research results indicate that (1) government support policies, (2) education level of enterprises owner, (3) enterprises scale, (4) society relationships of enterprises and (5) revenue growth rate affect the business performance of construction- listed enterprises in Vietnam. In addition, the government support policies, education level of enterprises owner, enterprises scale, society relationships of enterprises and revenue growth rate have positive impact on business performance of the Vietnam Construction Listed Companies. In which, education level of enterprises owner and government support policies have mostly positive impacts on business performance. The findings of this study also suggest that the education level of enterprise owners is the highest impact to business performance of the construction- listed firm in Vietnam.

1. Introduction

Speaking of SMEs refers to the ability to create jobs and income, improve business management skills, and promote entrepreneurship and creativity. In particular, SMEs play an important role in honing the Enterprises (ES) administration skills and promoting innovation. In addition, SMEs also help build a flexible industrial production system, with close links, exploiting and mobilizing all potentials of localities, creating a healthier competitive market and there are positive spillover effects on the economy. Therefore, promoting the development of SMEs is considered an effective means to mobilize capital as well as other resources for production and business activities, contributing to economic growth and stability socialization. In the context of today's fiercely competitive market, in order to survive and grow, Es needs to be proactive and actively seek ways to increase profits in a reasonable manner. To do so, the ES owner first needs to have a basic awareness of the factors that affect his ES's performance. Specifically, profitability is the ratio to measure ES's performance, which is the main aspect of ES's financial statements. Profits of an ES show that Es's ability to generate income over a given period. Profitability is the deciding factor that helps managers develops an effective profitability strategy for ES.

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2. Research methodology Research

2.1 Objectives

This study was conducted to solve two objectives: (1) Analyze the current situation of business and production activities of the construction- listed firms in Vietnam; and (2) Identify the factors that affect the performance of the construction- listed enterprises in Vietnam (VCLE).

2.2 Data collection

To conduct an estimation of the factors affecting the performance of small and medium-sized Enterprises (SMEs), we use secondary data using convenient sampling techniques from the 2020 Financial Statements of 100 VCLE and the database based on the ES listed on Vietnam's stock market, with the selected analysis criteria in the model. This study uses SPSS 20.0 software to support data analysis. Descriptive statistical methods with criteria such as average, rate, frequency, standard deviation are used to analyze the current situation of VCLE's production and business activities. Multivariate linear regression analysis was used to identify the factors affecting the performance of VCLE in Vietnam.

3. Literature Review

When conducting research on investment, Lei and Chen (2011) said that enterprises make direct investment when it meets 03 conditions. This is: (i) enterprises must own advantages compared to other businesses: such as scale, technology, marketing network, access to capital with low productivity; (ii) localization: it is more advantageous to use those advantages within an enterprise than to sell it to other businesses or to other businesses; (iii) production in the host country has lower costs than production in the host country. Lei and Chen (2011) also show the choice decision of Taiwan firm's investment in Vietnam. Jabri et al (2013) and Jabri and Brahim (2015) also show the determinants of investment in the MENA region. This is the basis for my research in this paper. The theory of investment behavior of Jensen (2003) and Jouili (2018) shows that investor behavior is directly affected by: (i) changes in demand; (ii) interest rates; (iii) the level of development of the financial system; (iv) public investment; (v) human resources; (vi) other investment projects in the same industry or in connected industries; (vii) the situation of technology development, the ability to absorb and apply technology; (viii) the stability of the investment environment; (ix) procedural regulations and (x) completeness of information.

Kumar (1994) referred to the determinants of export of foreign products in the United States of America. Kwiatkowski, Phililips, Schmidt, and Shin (1992) used the time series to test the null hypothesis. Tran (2009), Parker, Phan, Nguyen (2005) shows the relationship between the infrastructure and Investment attraction in Vietnam. There are some studies related to Investment in the world such as Loree and Guisinger (1995) showed the determinants of United State FDI. Louail (2019), Mina (2007), Mina (2012), Moosa (2009) refers to determinants of foreign direct investment in Arab countries. Nnadi and Soobaroyen (2015) show the financial statement standards and FDI in Africa. Pricope (2017), Rogmans (2013) refer to the FDI and adoption of international financial report standards in poor countries. Pesaran (1997), Pesaran and Shin (1998), Pesaran et al. (1999, 2001) show that business satisfaction indicates the level of satisfaction of businesses when investing in a country affected by three factors: (i) attribute group about the infrastructure; (ii) attribute group of business policy, service support (SS); (iii) attribute group of living and working environment, also mentioned the impact of national small and medium-sized enterprises on FDI attraction in developing countries. Nguyen and Nguyen (2020) refer to the impact of working capital on profitability of Vietnam firms. Nguyen and Nguyen (2020) also note the determinants of enterprises listed on Vietnam Stock Exchange. Xuan (2020), Factors affecting foreign direct investment: Evidence at foreign technology enterprises in Vietnam, referred to the main factors that influenced the FDI in Vietnam and have evidence from the technology FDI firms. Models enterprise size is a category that reflects the size of the enterprise and the way to organize and arrange the parts that constitute the enterprise. There are many criteria for assessing the size of an enterprise, namely: Scale by capital, scale by number of employees, scale by turnover, scale by profit and so on. In Vietnam, the determination of scale enterprises comply with the provisions of the Government's Decree No. 56/2009 / ND-CP of June 30, 2009, on assistance for the development of small and medium-sized enterprises, which determines the size of enterprises mainly based on Two factors are capital and labor.

A study by Fausto et al. (2013) showed that type of business, age of business owner, number of capital contributors are factors affecting firm size. Meanwhile, Mssimo & Colombo (2015) said that the business activities, the type of import-export business, and the number of founding members have significant explanations in the model of factors affecting the size of enterprise capital. The further pointed out that the size of firm capital is affected by the organization's capital contribution, number of employees and the rate of return on total assets of the industry. The gender and age of the person who has the decisive role in the enterprise also has a certain impact on the size of the business. With studies in Vietnam, Xuan et al (2020) firms the business sector, type of export business or domestic, the form of business registration has a close relationship with the size of the capital

of the business. The factors of business lines, type of business registration, location of production and business establishments, operating time of enterprises, percentage of capital contribution of the organization in the capital structure of the business are the factors that affect the size of the business capital of the business. Through a review of several studies shows, there are many factors affecting the business performance of Es in general and SMES in particular. Baard, VC and Van den Berg, A. (2004), Ari Kokko and Fredrik Sjöholm (2004), Hansen et al. (2002) have shown that Es size is one of the factors influencing Es business results. According to the studies of Panco and Korn (1999), Hansen et al. (2002), the age of an Es is a factor affecting the survival and development of an Es. Henrik Hansen et al. (2002), showed that the education level of the Es owner and the Government support policy has an impact on the business performance of SMES. In addition, once again demonstrated the level of access to government support policies affecting the business performance of Es, and the author shows the concern. Social system, revenue growth are also factors affecting business performance. Therefore, in this study, the above factors were put into the analysis model by the author to determine the factors affecting the business performance of VCLE. The research model is as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 D_4 + \beta_5 D_5 + \beta_6 X_6 + \varepsilon$$

where: The dependent variable Y is rate of return / revenue (ROS - return on sales) of VCLE. Variables X_1, …, X_6 are independent variables (explanatory variables).

Specifically, the research conducted tests of the following hypotheses:

H_1: The number of states supports that VCLE has been received that affects the profitability of the VCLE.

H_2: The years of operation of VCLE affects its profitability.

H_3: The education level of owner VCLE affects profitability.

H_4: The size of VCLE affects the company's current profitability.

H_5: VCLE's social relationship affects a company's profitability rate.

H_6: The sales growth rate of VCLE affects the company's profitability.

From the nature of the independent variables, the model that tests the influence of factors on the performance of Vietnamese VCLE, the author expects the sign of the variables in the model Table 1.

Table 1
Interpretation of independent variables in a linear regression model

Variable	Explanations	Expected
X_1	Number of states supports that VCLE has been received.	+
X_2	Years of operation of VCLE.	+
X_3	Education of owner VCLE	+
D_4	The size of VCLE (Dummy variable)	+
D_5	VCLE's social relationship (Dummy variable)	+
X_6	Sales growth rate of VCLE	+

(Source: compiled by the authors)

3. Research results

3.1 Current situation of VCLE's production and business activities

The operation and development situation of VCLE in Vietnam is quite extensive, due to there, to find out more about the coin production problem in business, assessing the status of development of VCLE, the author collected information about VCLE by survey questionnaire with 24 criteria. The total number of VCLE investigated is 100 Es. The data was randomly collected to ensure the truthfulness and objectivity of the survey. According to the survey on educational attainment, more than two thirds of VCLE masters have been trained, of which 87.6% of VCLE owners have university and college degrees, creating intermediate professionals. In general, the VCLE's education level in the research sample is quite high; this shows a favorable foundation for the firms. The owners of firms achieve higher management efficiency as well as absorb scientific and technical advances and information in a better way. The study results also showed that the average rate of female workers in the VCLE 31.2%, accounting for about 1/3 of the total number of employees in firms. The use of many female workers in firms is encouraged by the government

with many preferential policies, such as borrowing loans of firms with many female workers will be easier than other firms. In addition, according to research results from 100 VCLC, an average of 58% of administrative and managerial workers have university - college degrees, 42% of production and business workers have received vocational training. Thus, it can be said that the quality of labor in the firms in the research sample is quite high compared to the common ground (about 34%). In addition, the quality of life of employees has gradually improved significantly; the average income in 2020 of firms' workers in the sample is 95,390,000 VND /year. In terms of capital size, the survey results also show that the average total capital of firms in the sample is only about VND 100 billion, of which, fixed assets are VND 31 billion. Thus, in terms of both labor scale and capital size, the firms are quite big compared to the common ground, the firms mainly focus on medium and big types. In addition, firms rely primarily on equity and bank loans. From the results of the survey, most firms said that loans were mainly used, specifically; firms use an average of 73.2% of loan capital for production and construction business activities, and the remaining mobilization from other sources outside. Other sources of loans exist in many forms, including bank loans, personal loans, commercial credit, etc. Among the types of loans, bank loans accounted for the highest proportion, 68.33%. Firms out of all the sample studies that made capital mobilization by borrowing from banks, 24.42% came from the supplier's commercial credits and 7.97% were personal loans. In particular, bank loans, on average, account for 65.59% of the firm's total funding, indicating the importance of bank loans in supporting credit for firms. Most firms had revenue in 2020 compared to 2019, with an increase of 82%; revenue decreased by 16%; unchanged revenue accounted for 2% of the total firms surveyed. In addition, the profitability of firms is quite balanced with the revenue growth. There were 77.1% of firm's profits in 2020 compare to 2019 and only 19% of firms' profits decreased. Through this, we see a consistent growth between revenue and operating profit in 2020 of VCLE, this is an especially necessary factor for joint stock companies in attracting investors.

Table 2
Descriptive characteristics of VCLE in the survey

Criteria	Average	Largest	Smallest	Standard Deviation
Age of firms (years)	8.95	44.00	1.00	4.54
Total employees (people)	160.97	3000	30	30.38
Total assets (billion)	423.85	16000	20	219.80
Debt-to-equity ratio	1.8	6.45	0.2	0.5
Revenue (billion)	555.12	23000	11	103.2
Profit (billion)	44.20	710	-500	36.7
Turnover total assets	0.68	1.14	0.2	0.17
Rate of return (%)	13.00	139.00	-83.00	13.0

(Source: survey results directly by the authors, 2020)

In addition, the average Debt to Equity Ratio (D/E) of firms in the sample survey is 1.8 >1 which may indicate that VCLE is more dependent on the form of capital mobilization by borrowing. However, this may also indicate that a firm does know how to borrow to do business and exploit the benefits of tax savings. Another point worth noting is that the average total asset turnover of the firms in the sample is quite low (0.68), which shows that the efficiency in using the entire VCLE's total assets is not good. It can be said that, despite being affected by the China American trade war, significant VCLE efforts in managing and operating. Firms have been seen as well as contributing to the economic recovery for the country. However, in the process of economic recovery and development, the VCLE actually encountered many difficulties, such as the situation of investment expansion and market promotion of VCLE in Vietnam still faces many droughts. In particular, only about one-third of firms did this in 2020, and there is also a lack of information, including information about the market, competition, and support policies of the state for firms

3.2 Factors affecting the business performance of VCLE

The results of the linear regression analysis are as follows: (1) Observed significance level Sig. very small (Sig. = 0.00) shows that the security level rejects the Ho hypothesis, which means that there exists a linear relationship between the business performance of VCLE (measured by the rate of profit) with at least one of the factors being an independent variable, such a linear regression model is given in accordance with the data; (2) The R^2 value is adjusted smaller than the R^2, so it should be used to evaluate the model as more suitable and it does not inflate the model suitability, so R^2 the adjusted = 0.761 meaning that 76.1% of VCLE's business performance can be explained by the linear correlation between the profit margin and the independent variables included in the model. The Durbin-Watson coefficient of the model is 1,916, indicating that the model has no autocorrelation phenomenon. In addition, the variance magnification (VIF) of the variables in the model is much smaller than 10, so we conclude that the variables included in the model do not have multi-collinear phenomena.

Table 3

Results of the analysis model of linear regression

Criteria	Variables	Coefficient (B)	Level of significance (Sig.)	VIF
Constant		0.298	0.000	
Number of state support	X1	0.50	0.000	1.145
Age of firms	X2	0.04	0.005	1.056
Education Owner Level	X3	0.60	0.000	1.240
Size of VCLE	D4	0.30	0.008	1.058
VCLE's social relationship	D5	0.49	0.002	1.059
Sales of growth rate	X6	0.42	0.004	1.025
Sig. F coefficient		*0.000*		
coefficient R² adjustment		*76.10*		
Durbin-Watson coefficient		*1,916*		

(Source: Direct survey data, 2020)

Of the 6 variables included in the model, all 6 explain the change in business performance of VCLE as the following functions:

$$Y = 0.298 + 0.5X_1 + 0.04X_2 + 0.6X_3 + 0.3D_4 + 0.49D_5 + 0.42X_6 + \varepsilon$$

3.3 The number of state support

In particular, the variable X_1 (the number of states that firms have received) has a positive effect on the business performance of VCLE, showing the importance of this factor to production activities. VCLE's business is huge, which fits perfectly with the argument that the author originally made. In fact, in order for the business operations to be effective and convenient, besides having to take advantage of inherent resources including human, material and financial resources. The other important thing is that one must know how to exploit the necessary support that the state has set out in the development support policies, the more firms can exploit the various forms of state support related to its activities, the more VCLE can easily improve the capacity and resources for the operation to develop more smoothly.

3.4 The age of the firms

In addition to the impact of access to state support policies, the variable X2 (the number of years of operation of firms) is also an important factor positively affecting the efficiency of production and business activities. Firms that have been operating for a long time can accumulate a lot of capital to finance their business activities as well as new investment projects. At the same time, because they have been operating for a long time, they have a lot of experience, have created credibility and extensive social relationships with other firms or with commercial banks, because that easily accesses the capital as well as information related to their operations, so the performance is also high.

3.5 The Education Owner Level

The variable X3 (education level of the owner) is also positively correlated to the performance of VCLE. The higher the educational level, the more owners are able to access modern management science methods to help the company grow more and have more opportunities, while having a broader, more knowledgeable relationship about institutions, more policy regulations.

3.6 The Size of VCLE

The coefficient of factor D4 (scale of firms) bearing a positive sign (+) indicates that small or medium-sized firms has better production and business efficiency than micro enterprises. The reason is that small or medium-sized firms have better capital, labor, and wider market size, which contributes to good business support. At the same time, the increase in scale will help VCLE can increase production to meet timely demand when there is a shortage of supply in the market and thus will increase sales and profits for the VCLE.

3.7 The Social Relationship

Similarly, the D5 variable (VCLE's social relationship) also has a positive coefficient with the performance of firms. This proves that social relationships also affect VCLE's business performance. When the firm owner has a relationship with the association, the credit institution will increase his/her reputation; increase the access to relevant information such as market, technology, labor, policies, etc. At the same time, when there are difficulties in the operation process, these firms can support each other through assistance in capital, facilities, technology transfer.

3.8 The Sales Growth rate

The positive influence of the variable X6 (the revenue growth rate of firms) shows that the VCLE has a better revenue growth, the higher the production and business efficiency. Because the revenue growth is reflected in its economic potential, the stability and growth. This is entirely consistent with reality. In summary, the research results show that besides the impact from the environment within firms, the level of support from the state is also a very important factor affecting business performance of SMES in Vietnam. Therefore, the key issue now is how to enhance the accessibility of state support policies for SMES in Vietnam, thereby promoting the effectiveness of SMES support in government.

3.9 Factors affecting the performance of ES

The statistical value F in the model has a very small significance level, which is 0.000, showing that the safety level refutes the Ho hypothesis, meaning that the relationship exists. The linearity between the performance of VCLE (measured by the ratio of profit/total assets ROA) with at least one of the factors is the independent variable, so the linear regression model is given in accordance with data.

The coefficient of determination of R2 is 76.1%, which is quite reasonable, showing that the general fluctuations of the affecting factors explain about 76.1% of the VCLE performance.

Specific results of each variable are as follows:

Number of State Support - X_1

X_1 with an estimated value of β of 0.50 (sig. 0.0000) shows that, when the state support to VCLE increases by 1%, the ROA will decrease to 0.5%. The results of this study of the authors are consistent with the studies of B. Ramasamy (2005). The larger firm will have more state support compared to the small enterprise. Also, the firm is difficult to effectively manage the organizational structure, from overcoming bureaucratic issues in the management structure. On the other hand, the fact shows that the smaller firm scales, the more likely it is to increase the profit level. Most SMES in particular and the country in general are modest about the value of total assets due to thin capital. With this "modesty", firm leaders need to have proper strategies in selecting markets, appropriate technologies and competitive strategies. For example, firms can hire tools or technology from another to support the manufacturing process, thus, they will reduce the cost of buying assets, thereby making the production more efficient, thus VCLE can make a higher profit.

Age of VCLE - X_2

Age of ES does not significantly affect returns when the value of β is very small as 0.04 with the value of sig. (0.005) is much higher than the 5% significance level. This result is consistent with collaborative research between Mehari and Aemiro (2013). Research shows that long-term firms do not mean higher profits. In contrast, newly established firms have more advantages, reflected in innovation and application of new technology, advanced technology, access to more information, knowledge and opportunities than active perennial caves.

Education Owner Level - X_3

The education owner level of VCLE has mostly positive effects on profitability with an estimated value of β3 of 0.60 (sig. 0.0000). That is, when the education level increases by 1%, the ROA will increase to 0.60%. The results of this study are in line with the studies examined by Vijayakumar (2011).

According to the World Bank, also in line with modern economic theory, SMESs are very important for a country's economic growth and development. SMES can promote more jobs than the big firms can. SMES have a smaller scope so it is easier to set up and organize activities. The more effective the SMES is, the more likely it is to increase profits.

The Size of VCLE - D_4

The size of VCLE has a positive impact on profitability at the present time with a β4 coefficient of 0.30 (sig. 0.008). That is, when the size of the firms increases by 1%, the ROA will increase to 0.30%. The results of this study are consistent with the studies of Stierwald (2009).

The Social Relationships - D_5

The results indicate that the social relationships affect the profitability of VCLE when the significance level (sig. 0.002) Of the estimated value of D5 of this variable is quite large at 0.49. It means that when the social relationship increases 1% and then the ROA of the firm will increase 0.49%. This research is different from the one tested by Stierwald (2009), Salman and Yazdanfar (2012) and the research of Yazdanfar (2013) shows that the company's productivity has Positive impact on profits. This result is inconsistent with the previous research of the authors mentioned, but partly reflects the actual situation of SMES activities in Vietnam in general. The productivity of employees is not high due to the number, quality of leadership and employees in ES are still limited and partly due to the nature of part-time work. Therefore, this variable has not really had a significant impact on profit improvement.

Sales of growth rate - X_6

Sales of growth rate that affects profitability with an estimated value of β6 is 0.42 (sig. 0.004). That is, when the VCLE sales growth increases by 1%, the ROA will increase to 0.42%. The results of this study are consistent with previous studies that have been verified by Vijayakumar (2011), Salman and D. Yazdanfar (2012) and individual research by Yazdanfar (2013).

4. Solutions to improve the business performance of enterprises

For Vietnam Construction Listed Enterprises (VCLE)

The main goal of VCLE is to maximize profits, further improve the effectiveness of VCLE, the leaders need to focus on promoting a number of positive impact factors and improving those that have a negative impact or currently have no impact on the profits. The VCLE should apply incentives to improve knowledge, technical qualifications, management with bonuses based on the results of work and creativity of employees to encourage employees to go to school. In addition, focusing on creating a good working environment in the workplace, making employees feel rewarded, thereby being more loyal and devoted to firms, increasing their productivity and bringing profits, higher for the company. The owners and managers need to improve their qualifications and management. The VCLE should develop the capital plan needed for training, improve the qualifications of VCLE owners and employees, focus on training the necessary skills for managers, VCLE owners to develop strategic plans. VCLE needs to attach importance to collecting market information to conduct market research effectively, at the same time, providing the resources needed to understand customer needs or follow up with competitors. VCLE needs to focus on improving the technological process, not only applying advanced technology and modern machinery but also researching to improve the production process, save raw materials, minimize wastage, damage of the product ... in order to reduce the price and improve the competitiveness of the product. For the ones that firms do not work well, it is advisable to hire and transfer to other firms to take advantage. For example, if a firm is in charge of managing a warehouse of its finished products in another location, the delivery to customers from that warehouse is ineffective, hire a company specializing in warehousing, transportation services to Cost savings. VCLE needs to have a good business orientation and a feasible business plan, suitable with the capacity and meeting the needs of the market. Accordingly, in order to sustain in the context of an increasingly deep and integrated economy, SMES need quickly find a way to adapt to a new business environment. SMESs need to step up their cooperation, conduct mergers and acquisitions to improve their competitiveness; Increasing relationships with other parties such as suppliers or distributors to help manage access control. This is also a factor that can increase the standard of quality products, to attract consumers…

For regulators

One of the ways to promote the VCLE area in the future is that the Government should expand regulations to encourage firm development in the form of Government policies such as laws and regulations. Involving VCLE from the manufacturing and banking sides, such as a special credit program with terms that are not too stringent for VCLE, to help improve the capital base, through the service sector, formal finance, informal financial services sector, schemes, rentals, and venture capital funds. Along with that, continue to create a favorable business environment through creating a favorable legal corridor, a safe business environment, as well as simplifying licensing procedures, tax reduction...

4. Conclusion

VCLE with the level of investment is not large, flexible and very suitable for developing private economy. VCLE is an appropriate and effective way to mobilize resources from the people for economic development. Particularly for Vietnam, the development of the current VCLE does not fully meet the requirements of socio-economic development; VCLE often operates with the goal of introverting, within a small space. The competitiveness is still weak. The results of the study show that factors such as the level of access to government support policies, education of the VCLE owner, the size of the VCLE, the social

relations of VCLE and the rate of revenue growth affect the business performance of VCLE. Through the research results, the author expects that the concerned departments and agencies will soon implement action programs to develop VCLE, contributing to the country's socio-economic development. Using the least squares estimation method in the multivariate regression model, the study estimated and identified the factors affecting the performance of firms including: ES scale, increased growth, past profitability, and industry cohesion. The research results show that the more ES has been there for a long time, the less effective the activities are. In contrast, the growth rate, profitability of the previous year and industry cohesion almost had a positive impact on the performance of VCLE. The research results have helped the authors synthesize a number of solutions to enable VCLE to improve business performance in the current.

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