



Women-owned enterprises in Vietnam: Perceptions and Potential

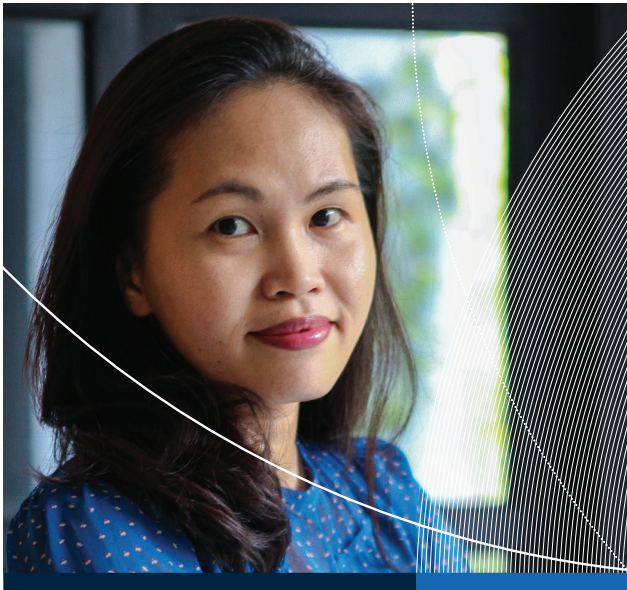
Executive Summary



Note to the reader:

This Executive Summary is taken from the forthcoming report with the same title, which is scheduled for publication and dissemination in October 2017.

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Executive Summary

Small and medium enterprises (SMEs) are vital to Vietnam's economic growth, accounting for more than 98% of all business, 40% of GDP, and 50% of total employment¹. The number of SMEs grew by around 100,000 in 2016², encouraged in part by increased government efforts to facilitate new business. Recent surveys show most SME owners are optimistic about their future and expect to expand with the help of further policy reforms and greater access to capital. One key segment of this market, however, has yet to be fully recognized in its own right for its proficiency and potential.

Vietnam's women own 95,906 or about 21% of formal enterprises³. The majority (57% or 55,049) are microenterprises; 42% or 44,003 are SMEs (the focus of this study); and 1% or 854 are large enterprises⁴. Women-owned businesses are similar in size to those of men, with similar average annual revenues (the 2015 Enterprise Census showed average annual revenue of USD 548,000 for small women-owned enterprises against USD 543,000 for men, and USD 5.69 million for women- versus USD 5.76 million men-owned medium-sized enterprises). However, most banks have yet to consider adopting strategies that cater to women-owned SMEs. According to the findings of this survey, most banks either see no need for a different approach to women entrepreneurs, or view the segment as less profitable; indeed, some have suggested that women are less business savvy and require more support, and are therefore costlier customers to acquire and serve. Furthermore, in gathering information for this report, it was suggested that women entrepreneurs are risk-averse, that they typically do not own the family business they manage, and that they have lower financial management skills. In addition to these perceptions on business capacities, this study also found that social and traditional expectations can create biases against women as business owners. This is particularly evident with respect to younger women entrepreneurs.

It should be noted that Vietnam's investment climate for women is generally supportive. Vietnam boasts a long tradition of women involved in business, and compared to many similar economies, Vietnam has fewer differences between the legal statuses of men and women. However, while the common perception is that there are no differences between the challenges women and men face in running small businesses, the aforementioned biases – conscious or unconscious – directly impact women's ability to access formal financing and other desired services. In this study, 37% of women-owned SMEs have accessed bank loans in the past two years, compared to 47% of male business owners. Even when women entrepreneurs do qualify for a bank loan, they tend to receive less than what they asked for, and lower amounts than men. As it stands, the financing gap is estimated at USD 1.19 billion for women-owned SMEs.

This report reframes these and other perceived challenges of serving this segment as an opportunity for banks and other service providers to capture a growing market of savvy businesswomen who seek better services to grow their firms. Findings from the survey will serve to expose misconceptions facing women entrepreneurs, and will elucidate the opportunities for banks and related service providers. By recognizing the needs of business women and demonstrating a more nuanced approach to serving them, this report makes the case that championing rather than dismissing women's preferences can in fact make a big difference in terms of customer acquisition and sales volumes over time.

¹ Swiss Program for Research on Global Issues for Development, Employment and Quality of Employment in Vietnam: The Roles of Small Firms, Formalization and Education, R4D Working Paper 2015/8.

² General Statistics Office

³ Based on data from 2014 GSO Enterprise Census.

⁴ Following the IFC definition of enterprises, i.e., Microenterprises have revenues of less than USD 100,000 per annum; SMEs have annual revenues between USD 100,000 and USD 15 million; and large enterprises have annual revenues over USD 15 million.

The Study

This study used both quantitative and qualitative research methods. The quantitative research consisted of a demand and supply component, focused on businesses and banks respectively. The demand survey was executed through individual tablet-based interviews of 500 business owners or top managers⁵, consisting of 322 women-owned and 178 men-owned businesses. The supply survey was based on individual interviews with a selected group of bank representatives.

This study looks at the specific financial and non-financial needs and opportunities for women-owned SMEs in Vietnam. It quantifies the market opportunity for banks to target these SMEs with strategies that recognize the number of such businesses, annual revenues generated, number of employees, and contribution to the economy.

Misconceptions in the Market

The data gathered throughout the course of this study reveals a number of misconceptions currently affecting the profile and growth potential of women entrepreneurs and women-owned businesses. These misconceptions have been summarized and addressed as follows:

Myth 1: Women entrepreneurs are more risk averse than men in seeking finance

Our findings show that the level of risk-taking in seeking financing is very similar between female and male owners of small and medium businesses. About half of female and male business owners think that a good time to apply for a loan is when they have a business idea that might be successful and needs funding. A third of both female and male business owners prefer to apply for a bank loan when they already have good sales and know that there is demand for their products/services. While there is no difference in risk-taking levels when it comes to bank loans, studies show^{6,7}, that women approach risk differently than men because of their focus on long-term goals and greater awareness of risk. In other words, they tend to measure and analyze risk more meticulously, rather than simply following their intuition.

Myth 2: Women only focus on small businesses “on the side”

The average revenue of SMEs led by women and men is very similar, based on the GSO 2015 survey of over 181,000 firms. Women-owned small businesses have average annual revenues of USD 548,000, versus USD 543,000 for those led by men. For medium-sized businesses, women-led firms have average revenue of USD 5.69 million versus USD 5.76 million for those led by men. Taking revenue as proxy for size of business, women and men own businesses of very similar size. Women- and men-owned businesses have also very similar plans for the upcoming two years, focusing on increasing production (78% of women versus 77% of men) and introducing new products and services (12% of women and 10% of men).

Myth 3: Women with children do not have time to lead a business

Over 90% of those surveyed is married or has been married in the past. While family responsibilities are important and were indicated as a challenge by some, most of the women entrepreneurs interviewed are able to successfully juggle business and family responsibilities by extensively relying on family and external support. Limited time and family responsibilities are the least frequent challenges cited by women entrepreneurs. More and more women start and build their business while still single and build a team they can lean on later – in this survey, women entrepreneurs in small businesses have an average of thirty employees. Evidence⁸ has also shown that motherhood has several benefits for business owners, such as the increased ability to work under pressure, negotiating more effectively (because the stakes are higher), and greater resilience to weather ups and downs.

5 Chief Executive Officer or Managing Director, Chief Financial Officer, or Chief Operations Officer

6 Kathy Kristof, From Kiplinger's Personal Finance, April 2016. Available at: <https://www.circlewm.com/Kiplinger-TheSecretsofWomenInvestors.pdf>

7 Wells Fargo, Women and Investing, 2017. Available at: <https://www.wellsfargomedia.com/assets/pdf/personal/investing/investment-institute/women-and-investing-ADA.pdf>

8 <https://www.fastcompany.com/3028299/5-reasons-moms-make-great-entrepreneurs> ; <https://www.entrepreneur.com/article/245782> ; <https://www.forbes.com/sites/elanagross/2017/05/14/rosie-pope-on-entrepreneurship-motherhood-and-confidence/#340de65610e1>

Myth 4: Women have other priorities and are less likely than men to pay back loans

Another perception about women entrepreneurs is that, once they have a family of their own, they face so many other priorities that they might slip on repayment of their business loans. Survey findings show that this is not the case, with banks reporting lower non-performing loans among women entrepreneurs (one bank reported NPLs of 0.95% for women-owned SMEs versus 2.17% for men-owned SMEs) and women typically proving more conscientious borrowers than men.

Myth 5: Women only work in family businesses and most are owned by men

A widely-held perception in Vietnam is that women mostly work in family businesses and that while women might manage a business, it is usually owned by men. In this survey, out of the 322 women-led businesses, only 8% are owned by or with a family member of the top manager, and only 3% are majority owned by men.

Myth 6: Women need more financial education than men

A common misperception is that women have lower financial management skills and need more financial education. This is a view commonly held among bank staff and even among some women entrepreneurs themselves. This survey however found that women and men believe they require the same level of support when it comes to financial management, and that the issue is more about women disliking the length and complexity of bank application forms and process. This corresponds to international experience⁹ of women being less satisfied with their banks and financial advisors on average than men, and having lower levels of self-confidence and more doubts about their financial acumen and ability to interpret financial jargon. Studies¹⁰ indicate that women tend to require more information before making a decision and want to make sure that they understand everything, while men are comfortable with less information. This makes women appear less knowledgeable, both to the bank staff they are dealing with and in their own perception.

A July 2017 report by Wells Fargo¹¹ found that in general women feel less confident in their ability to invest than men do, even though women often have more financial experience than they give themselves credit for having. In the case of Vietnam, this should be easily addressed, as gender differences in education are very small at all levels (over three quarters of women entrepreneurs surveyed in our sample have a university degree), and particularly as women are heavily represented in finance. According to one respondent, "The CFO is a woman's job in Vietnam."

Myth 7: Women do not have time for learning and networking

Women are eager to improve their business skills and are willing and able make time for it. Women tend to seek advice from women they are not related to more than from male non-relatives. They are interested in practical capacity building programs to sharpen their business skills (branding, marketing, and managing staff above all) and are willing to pay up to USD130 a month for high-quality courses. Several networking and support platforms for women-owned enterprises are active and popular in Ho Chi Minh City and Hanoi.

⁹ Sylvia Ann Hewitt, *Harnessing the Power of the Purse: Female Investors and Global Opportunities for Growth*, 2014. Available at http://www.talentinnovation.org/_private/assets/HarnessingThePowerOfThePurse_Infographic-CTI.pdf

¹⁰ Wells Fargo, *Women and Investing*, 2017. Available at <https://www.o8.wellsfargomedia.com/assets/pdf/personal/investing/investment-institute/women-and-investing-ADA.pdf>

¹¹ Ibid

Recommendations

To capitalize on the women-owned SME segment and better leverage this opportunity while also fully recognizing their contribution to Vietnam's economy, the report recommends the following:

1. Recognize women-owned SMEs as a separate and strategic customer segment. It is recommended that banks recognize women-owned SMEs as a distinct segment, with uniquely tailored products and services. Women entrepreneurs have less access to bank loans and even those that do appear to receive less financing than they need. This presents a large business opportunity for banks, which are currently under-serving this market.
2. Invest in training bank staff on the gender dimension of banking. Women are less satisfied with bank services than men, and while banks perceive women to be less financially savvy, this report has identified signs of lower levels of self-confidence among women, which can make them appear less knowledgeable. This is in line with international experience¹². Gender sensitization training for bank staff is key to better understanding gender dimensions in banking (i.e., gender differences in needs, preferences, and financial behavior), and countering any biases impacting service delivery.
3. Strengthen non-financial services for women-owned SMEs. Banks could improve products and services to women-owned SMEs by supporting platforms that provide relevant non-financial services (i.e., business development services offered by banks) to businesswomen, thereby addressing their lack of access to financing, information, skills and new markets.
4. Track gender-disaggregated data on SME performance. Banks would benefit from collecting sufficient gender-disaggregated performance data on their SME clients (e.g., repayment rates, organizational changes, revenue and employment growth, expansion to new markets) by being able to build a better risk profile for their SME customers and match supply accordingly.
5. Raise awareness of the opportunities for banks to better serve women-owned SMEs. There is an opportunity for Development Finance Institutions to improve data collection and dissemination on women-owned SMEs. Dissemination of this survey's findings and related data is essential for understanding the opportunities and needs of women-owned enterprises, and designing informed, tailored strategies.

¹² Sylvia Ann Hewitt, *Harnessing the Power of the Purse: Female Investors and Global Opportunities for Growth*, 2014. Available at http://www.talentinnovation.org/_private/assets/HarnessingThePowerOfThePurse_Infographic-CTI.pdf

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