Determinants of The Accessibility of Vietnamese Enterprises to Capital from Banks and Credit Institutions

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Abstract

The difficulty of enterprises in accessing capital is one of the barriers for development of Vietnamese enterprises in general and small and medium enterprises (SMEs) in particular. Difficult accessibility to capital forces enterprises to pay additional costs (both formal and informal) in order to obtain loans, thereby increasing their cost of production. This research using the Multi-logistic model accesses the factors that influence accessibility to capital from financial institutions (banks and credit institutions) and uses sample survey data from 695 enterprises implemented in December 2017. The research points out that besides the factors related to the business and institutional environment, the factors related to the internal problems of enterprises such as size, ownership form, age of the enterprise, collateral, return on assets (ROA), quality of business reports... or informal expenses, all affect accessibility to loans from financial institutions. Based on that, the author proposes a number of recommendations to improve accessibility to these loans for enterprises in general and SMEs in particular in Vietnam in the current period.

Keywords: SMEs; accessibility to capital; difficulties in accessing capital.

JEL code: G10, G21, G32.

1. Introduction

The contribution of enterprises, especially small and medium enterprises (SMEs), to the economy is becoming increasingly important, even for developed economies. SMEs not only make a significant contribution to gross domestic product (GDP) but also create jobs and increase the export turnover of the economy. In 2017**,** economic growth reached 6.81%. After the economic low point in 2012, the economy has been showing a steady growth as it has been always above the average growth during the period 2011-2017. The business sector contributes about 60% to growth; SMEs contribute about 45% to national GDP and 31% to total state budget revenues (Data from General Statistics Office, 2016). Meanwhile, the group of SMEs account for 97% of the total number of enterprises operating in Vietnam. SMEs are enterprises with employees of less than 200 people, capital of less than 100 billion VND and revenue of less than 300 billion VND (According to the Law on Support for Vietnamese Enterprises, No. 04/2017/QH14 dated 12/06/2017). Although this group of enterprises contributed significantly to GDP growth in the country, the facts reveal that they are facing many difficulties in accessing to loans. Current funds for SMEs may come from sources such as: the state budget (subsidies, guarantees, insurance and tax incentives, etc.); foreign capital; mobilized capital from the stock market, bonds; owning capital, contributed capital; credit, guarantees and discounted finance, finance leases, and finally deferred payment, commercial credits, etc. or loans from relatives, friends or other lenders. However, the official source of loans from banks and credit institutions is the main factor to ensure long-term and stable business operation.

SMEs are mostly small business establishments with limited equity and financial capacity, which lack of assets to secure loans under regulations or having low asset value and not transparent property rights. Thus, it is difficult for them to access capital from banks, which causes difficulties in accessing capital to expand business.

Realizing these practical issues, this research focuses on the factors affecting the accessibility to loans from credit institutions and commercial banks that enterprises are facing. The factors shown in the research that significantly influence the accessibility to capital are: type of business, availability of collateral, formal and informal expenses (interest, under-the-table costs, gifts, etc.), credit history of the business, ROA or transparency in lending activities of banks and credit institutions. Besides, there are also other factors such as the form of business ownership, the age of the business, the specific business plan or the relationship of the business with the bank. Thereby, there are a number of recommendations to improve accessibility to these financial resources for enterprises in general and SMEs in particular.

In addition to the introduction and references, the structure of the study includes three different parts. Section 2 presents the literature review; section 3 is the research methodology. And section 4 discusses main conclusions.

2. Literature review

For the purpose of expanding capital for business activities, enterprises usually mobilize money from various sources such as banks and credit institutions (official financial sources) or from relatives, friends and other lenders, etc. (unofficial financial sources). A review of the studies shows that there are a number of important factors affecting accessibility to loans from banks and credit institutions for enterprises in general, and SMEs in particular. These factors are related to internal problems including the size, the form of business ownership, collateral or mortgages, performance results as well as external factors, including the business and institutional environment.

When evaluating factors affecting accessibility to official capital resources, those factors that derive from the intrinsic capabilities of enterprises, especially SMEs, play an important role. For example, the size of firms influences their accessibility to capital (Bernanke et al., 2004; Hernandez and Martinez, 2008; Nguyen, 2014). Ownership forms of enterprises also have a positive impact when accessing official capital (Beck et al., 2008; Demirgüç-Kunt and Levine, 2008), showing that state-own-enterprises are less likely to be faced with issues related to collateral requirements and administrative procedures than private enterprises, especially SMEs.

The age of a business is also a factor affecting accessibility to capital in many studies, such as Akoten et al. (2006); Oliner and Rudebusch (1992) and Beck et al. (2006). Similar results can be found in Hanedar et al. (2014), whereby an enterprise's age has the opposite effect to the loans' borrowing from informal financing in a high level. The more active a business is, the less it will rely on capital from relatives, friends or borrowing from others.

A good credit history means the enterprise complies with the principles of the loan well or may have a previous credit relationship with banks and financial institutions which would make following loans more likely to be favorable, as in (Hakkala and Kokko, 2007; Cole et al., 2004; Berger et al., 2005). Guaranteed assets as well as a specific business plan are also useful for enterprises to access institutional credit. Guarantee assets are used to recover the original debt in the event of default. The study by Malesky and Taussig (2005) and Cole et al. (2004) pointed that SMEs did not have these advantages because most of them were of small scale and had a lack of collateral assets when borrowing capital.

Some studies also suggest that networks and relationships replace the lack of effective market mechanisms and may be an effective way for enterprises to access external credit, including bank loans. Networks and relationships have positive impact on credit accessibility (Rand, 2007; Bougheas et al., 2006; Cole et al. (2004); Hakkala and Kokko, 2007; Le and Nguyen, 2009). Loan interest rates are also a major barrier to enterprises in the current period, especially SMEs (Tran and Dinh, 2015; Muravyev et al., 2009; Nguyen et al., 2015).

Another barrier when enterprises access loans from banks and credit institutions is that they have to pay both formal and informal expenses. Tran and Dinh's (2015) research, based on the results of the VCCI survey (2014), pointed out that one of the reasons enterprises thought that access to loans was much easier may be due to "softer" loan interest rates. The report on Characteristics of the Vietnamese Business Environment (CIEM, 2015) estimated that a large proportion of enterprises did not need loans (54%) or did not want to be in debt (23%). An explanation as to why enterprises did not ask for loans is that it may be due to interest rates. Muravyev et al. (2009) also argued that if the average interest rate that enterprises paid for their loans was low, there would be a positive impact on business when they wanted to access loans. At the same time, the interest rate of the largest loan in the year also affects the profitability of the business (Nguyen et al., 2015).

The research by Tran and To (2018) evaluated the probability of the ability for firms to access loans from credit institutions was increasing as enterprises spent more on under-the-table costs and in buying gifts. The estimated results from the Logistic model show that this probability increases by about 24 percent and it is equivalent to the Probit model of 17.6 percent.

The results of business activities also affect accessibility to sources of credit. In the research, businesses are usually divided into two groups: business groups that are not financially constrained (find it easy to access external sources of capital) and financially constrained business groups (find it hard to access external sources of capital). Enterprises that are financially constrained are often characterized by small size, difficulties in collecting information on these companies (asymmetric information) and low dividend payout ratios (Christopher et al., 2009). Udichibarna (2015) used ROA and earnings before interest and taxes on total debt to divide the two groups of enterprises. Research by Pham et al. (2013) also showed that enterprises with larger profits (measured by ROA) would have greater accessibility to official credit sources.

In addition to internal barriers, the business and institutional environment also has a significant impact on accessibility to these funds. Fatoki and Smit (2011) argued that the regulatory environment (measured by the Provincial Competitiveness Index – PCI and transparency in the lending activities of the banks and credit institutions) wasalso an important factor affecting the financial accessibility of firms. The study evaluates Pearson correlation among business environment factors and the corporate loan value from commercial banks and credit institutions. Along with that perspective, Olomi et al. (2008) also identified the underdeveloped business culture where transactions between lenders and borrowers is one of three groups of factors making it difficult for SMEs to access financing. Research by Fang (2007) points out that if the government does not have the ability to protect the assets of the private sector, the market will automatically increase administration costs of the loan and thus will lead to the imperfection of the market. But if the intervention of the government is strong enough, it will be considered as an indication, a signal ensuring a stable financial system, thereby boosting credit operations of banks.

It can be seen that when enterprises access formal capital, beyond barriers related to the business and institutional environment, the issues that lie within the enterprises themselves are also decisive.

3. Research methodology

This section analyzes the impact of factors on capital accessibility from banks and credit institutions of enterprises. Based on the research, combined with the survey data, the research will assess the impact of a number of factors such as the enterprise size, ownership form, the age of the enterprise, ROA, collateral assets, business plans, unofficial fees, interest rates, credit relationships with banks, loan history and business and institutional environment (measured by transparency and fair competition in lending activities).

3.1. Data and data description

The research uses primary data extracted from the direct survey data of 699 enterprises in the 3 provinces of Hanoi, Da Nang and Dong Nai in December 2017. After processing and eliminating the duplicate samples, the remaining sample data consists of 695 observations.

Table 1 shows that SMEs accounted for 56.69% of the total enterprises in the sample. Enterprises applying for a bank loan accounted for 58.4% of the sample, of which the disbursement rate for SMEs was 47.3%. The average number of years enterprises operated in the market was 10.8 years until the survey time. Small and medium enterprises (SMEs) having less than five years of operation accounted for 31.2% and less than 10 years, about 66.5%. This is also a disadvantage, especially for new- establish- enterprises when accessing credit.

Of the applicants, only 1.73% said they were denied access to loans; 22.28% had some documents accepted by the lending agency; the majority, in particular 74.26% of the enterprises, were successful in having their loans disbursed. This shows that in Vietnam, banks have made significant efforts in creating conditions for enterprises to borrow.

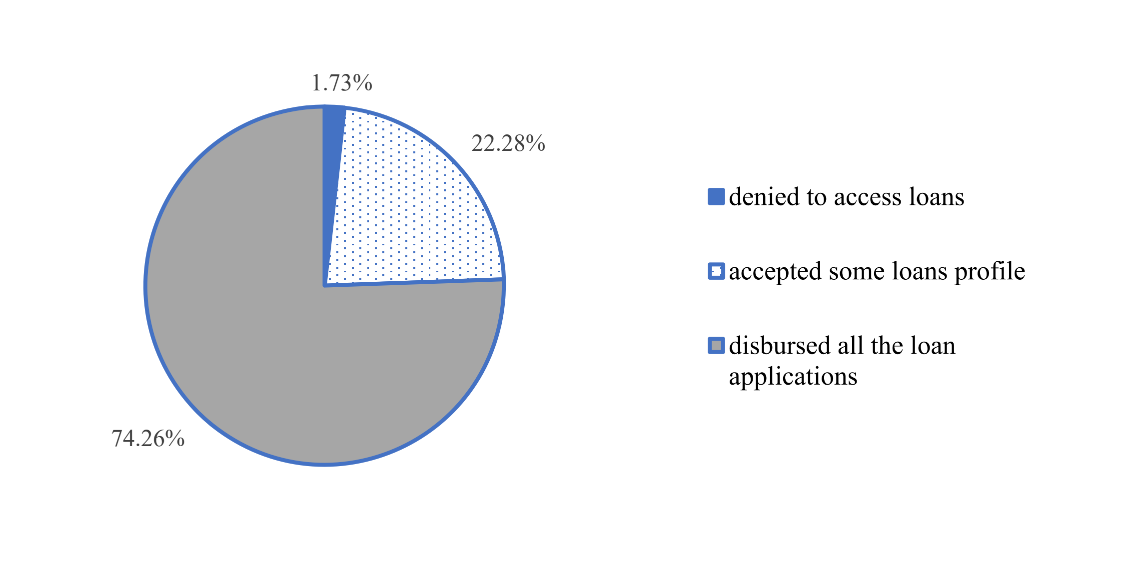
For enterprises without a bank loan, based on the questions in the questionnaire, the degree of agreement on barriers and obstacles after the business accesses loans from banks and credit institutions is evaluated from 1-5 (which is "completely agree that the barrier or the level of difficulty is the most serious"). From the statistics on the barriers it can be seen that

Table 1: Summary of sample data

Number		State Enterprises	Non-state enterprises	Total
1	Survey sample	43	652	695
	SMEs	10	384	394
	Large enterprises	33	268	301
2	Number of enterprises applying for a loan	28	378	406
	SMEs	3	193	196
	Large enterprises	25	185	210
3	Number of enterprises having disbursement records	28	363	391
	SMEs	3	182	185
	Large enterprises	25	181	206
4	Years of operation (average)	24.3	9.9	10.8
	SMEs	20	8.97	9.25
	Large enterprises	25.6	11.23	12.81
5	Number of enterprises with available collateral	24	381	405
	SMEs	3	221	224
	Large enterprises	21	160	181

Source: Calculated from survey data

Figure 1: Proportion of loan application results of enterprises



Source: Calculated from survey data

when eliminating the reason of no need and not wanting to be indebted, the main reasons for not accessing bank loans are due to high interest rates, complicated loan procedures and insufficient collateral.

Regarding difficulties in accessing bank credit, the difficulty considered to be the most serious is high interest rates (the average score for this barrier is 3.13); and the difficulty in the requirements of banks that the enterprises must have specific business plans (the average score for this barrier is 3.11). In addition, enterprises also face many other difficulties in accessing bank credit, such as administrative procedures; bank bias for foreign enterprises, and state-owned enterprises; undiversified credit services, lack of appropriate credit products; the term of the loan is unsuitable; there is no loan guarantee service; enterprises do not have enough collateral; a requirement to pay extra non-interest and unofficial fees; enterprises have difficulty in registering property rights, etc.

3.2. Designation of the research model

To analyze the factors affecting the accessibility to capital from the bank and credit institutions, the research uses the Multinomial Generalized Logit (Multilogistic) model. Calling Y_{ij} as the probability that enterprises access loan funds, the polynomial logistic regression equation has the general form as follows:

$$P(Y_i = j / X_i) = p_{\mathrm{ij}} = \frac{\exp\left[X_i'\beta_j\right]}{\sum_{j=0}^{J} X_i'\beta_j}$$

with j = 0,...,J (1)

Where: "*i*" is the number of observations, $\mathbf{X}_i$ is the set of factors affecting the capital accessibility of enterprises, *j=0, ... J* is the set of possibilities that are supposed

Table 2: Difficulties of enterprises when accessing bank capital

Reason	Score of the difficulty of the business[1]
The interest rate is too high	3.13
Must have a specific business plan	3.11
Administrative procedures for access credit policies are complex and time-consuming	2.9
Banks favor foreign enterprises, state-owned enterprises	2.78
Credit services are not diversified, lack of suitable credit products	2.67
There is no loan guarantee service	2.65
The business does not have enough collateral	2.52
Additional non-interest expenses and unofficial expenses	2.36
Enterprises have difficulty registering their property rights	2.46

Source: Calculated from survey data, conducted in 2017

to occur independently, and β_0, β_1 , ..., is the set of estimated coefficients corresponding to each occurrence. Because $\sum_{j=1}^{J} p_{ij} = 1$, one of the estimated coefficients $\beta_0, \beta_1, \dots$ must be set to 0 so that the remaining coefficients can be estimated.

In case J = 2, equation (1) becomes a polynomial logistic equation with 3 corresponding degrees

For the dependent variables and the question: "Have enterprises ever applied for a commercial bank loan?", the possible answers an enterprise may choose are "yes" or "no". If they apply for a loan, what is the result? (i) All loan applications are turned down; (ii) Some loan applications are turned down; (iii) All loan applications are disbursed; (iv) Waiting for results from the bank.

In conditions that risk happening is not in order, the coefficients β in equation (1) are estimated by the most reasonable estimation method (MLE) according to Greene (2012). The marginal effect at the mean is calculated according to Cameron and Trivedi (2010) and used to explain the degree of influence of independent variables on credit risk.

Based on the survey data and the aggregate of empirical studies, the study identifies the variables and expectations as shown in Table 3.

4. Results and Discussion

Table 4 presents the estimated results of the Multi-logistic model. Multi-collinear tests and Heteroscedasticity were performed to show that there was no multi-collinearity in the model, but there was the occurrence of Heteroscedasticity (Gould, 1998). Thus, the estimation results are based on the robust standard error of the MLE method. LR testing in the model concluded that variables in the model are appropriate.

The estimated results of the Multilogistic model show that most estimates are statistically significant, affecting the possibility of an enterprise's loan portfolio being accepted for disbursement by financial institutions.

Table 3: Variables in the model

Number	Symbol	Explanation	Measurement / measurement	Expected impact
Dependent variable				
1	Y_1	Measurement of accessibility to capital from banks and credit institutions of enterprises	Y_1 = 1 when the enterprise does not apply for a loan (possibility 1) Y_1 = 2 when the enterprise has a loan application, but it is not accepted or waiting for results from banks (possibility 2) Y_1 = 3 when the enterprise applying for a loan has been accepted for disbursement (possibility 3)	
Independent variables				
1	SME	Small and medium enterprises	SME = 1 if the number of employees is less than 200 laborers, the capital is smaller than 100 billion VND, the turnover is smaller than 300 billion VND and vice versa is equal to 0	(-) Hernandez and Martinez (2008); Bernanke et al. (2004)
2	SOE	State owned enterprises	SOE= 1 if the enterprise has a state capital greater than 50% and vice versa is equal to 0	(+) Beck et al. (2008); Demirgüç-Kunt and Levine (2005)
3	AGE	Age of the business	The age of the enterprise is calculated from the time the enterprise officially registered to operate.	(+) Beck et al. (2006); Hanedar et al. (2014) ; Cole et al. (2004)
4	ROA		Profit after tax per capital of total assets	(+) Hernandez and Martinez (2008)
5	Collateral	Collateral	Collateral = 1 if the collateral is available and vice versa is equal to 0	(+) Malesky and Tausig (2005) Cole et al. (2004)
6	Corruption	Undertable costs, gifts…	Corruption= 1 if the enterprise has undertable costs and gifts to receive a loan from the bank	(+) Tran and To (2018)
7	INT	Interest rates for enterprise to pay for high loans	INT= 1 if the enterprise is now paying high interest rates and vice versa is equal to 0	(+) Tran and Dinh (2015); Muravyev et al. (2009) ; Nguyen et al. (2015)
8	BP	Business plan	BP = 1 if the business has a specific business plan when applying for a bank loan and vice versa equal to 0	(+) Malesky and Taussig (2005); Cole et al. (2004)
9	REB	Relationship between enterprise and banks	REB = 1 if the enterprise has a close relationship with the bank and vice versa is equal to 0	(+) Rand (2007); Bougheas et al. (2006); Cole et al. (2004); Hakkala and Kokko (2007); Le and Nguyen (2009)
10	LHE	Loan history of enterprises	LHE = 1 if the enterprise has successfully finished bad debts, overdue debts and vice versa is equal to 0	(+) Cole et al. (2004); Berger et al. (2005); Hakkala and Kokko (2007)
11	TFC	Transparency, fair competition in lending activities	TFC = 1 if Bank is transparent, equitable in lending and vice versa is equal to 0	(+) Fatoki and Smit (2011); Olomi et al. (2008); Fang (2007)

Table 4: The estimated results of multi-logistic model

	Possibility (2)		Possibility (3)	
	Coefficient	**AME**	**Coefficient**	**AME**
SME	1.232 **	0.286 **	-0.634 **	-0.290 **
	(90.09)	(102.53)	(-75.12)	(-80.02)
SOE	- 0.125 **	- 0.031 **	0.071 **	0.035 **
	(- 2.83)	(- 2.98)	(3.22)	(2.8 3)
AGE	- 0.078 ***	- 0.014 ***	0.0 53 ***	0.019 ***
	(- 6.82)	(- 6. 34)	(6.11)	(6.12)
ROA	.312	0.078	0.286 *	0.083 *
	(2.89)	(2.93)	(3.14)	(2.46)
Collateral	- 0.476 ***	- 0.405 ***	0.213 ***	0.513 ***
	(- 5.74)	(- 5.72)	(6.69)	(6.67)
Corruption	- 1.34 ***	- 0.12 ***	0.53 ***	0.198 ***
	(- 69.12)	(- 98.36)	(184.12)	(185.13)
INT	0. 768	0.089	0.317 ***	0.129 ***
	(0.849)	(3.25)	(6.13)	(5.48)
BP	- 0.186 ***	- 0.047 ***	0.079 ***	0.058 ***
	(- 14.19)	(- 15.78)	(28.13)	(25.18)
REB	0.213	0.052	0.117	0.046
	(0.99)	(0.99)	(0.98)	(0.97)
RHE	- 0.370 **	- 0.024 **	0.268 ***	0.081 ***
	(- 3.18)	(- 2.65)	(4.13)	(5.12)
TFC	0.482	0.068	0.215 ***	0.058 ***
	(5.16)	(6.21)	(6.38)	(6.12)
Cons	-1.762 ***		-1.025 ***	
	(-8.13)		(-6.14)	
N	695	695	695	695
R^2 correction		0.3679		
Prob> Chi2		0.000000		
LR value		-121.26		

*Note: *** p <0.01, ** p <0.05, * p <0.1.*

Because interpretation of the magnitudes of estimation coefficients in a multi-logistic model is not the same as the linear regression or OLS regression model, the interpretation of the effect of factors on the access possibility of enterprises to loans from the financial and banking system will be explained by the impact of the AME on the independent variables.

Estimated results show that:

Factors affecting possibility 2 (when the enterprise has a loan application but is not accepted or is waiting for results from banks), included: the form of business ownership, type of business, the age of the business, the collateral, under-the-table cost, the business plan of the enterprise and the loan history of the enterprise. For factors affecting possibility 3 (when the enterprise applying for a loan has been accepted for disbursement), in addition to the above factors, there are a number of factors such as ROA, interest rate, transparency and fair competition in lending activities.

For possibilities 2 and 3, the SME variable is significant for both at 1%. Marginal effect coefficients show that the probability of enterprises applying for bank loans but not being accepted or awaiting results from banks rose by 28.6% if the enterprises applying for loans are SMEs. Similarly, the probability of a business applying for a bank loan and having been accepted for disbursement is reduced by 29 percent if the business applying for the loan is an SME. Thus, it can be seen that SMEs have no advantages compared to other types of enterprises when applying for bank loans.

For the variables reflecting the characteristics of enterprises such as variable state ownership (SOE) or the number of operation years of the business (AGE), the model results show that if the business applying for a loan is an SME, the probability of the enterprise having a loan application not being accepted or waiting for results from the bank fell by 3.1% and the probability of a business applying for a bank loan and having been accepted for disbursement is increased by 3.5%. This shows that the form of enterprise ownership directly affects the accessibility of enterprises to capital.

The number of business operation years is also an advantage having a significant impact on enterprises' accessibility to loans. The estimation results indicate if the number of business operation years is increased by a year, the probability of enterprises applying for bank loans but not being accepted or awaiting results from banks is decreased by 1.4 percent. In contrast, the probability of enterprises applying for bank loans being accepted for disbursements is increased by 1.9 percent. This implies that being a long-term enterprise also means a guarantee of success when they access loans from banks and credit institutions.

The variable reflecting business performance (ROA) is not meaningful with the probability of possibility 2, but the probability of the enterprise applying for bank loans and being accepted for disbursements is increased by 8.3% if the ROA is increased by 1%. This result shows that the results of business activities affects the accessibility of capital for enterprises.

For collateral based on the estimated result — it can be seen that the availability of collateral has a huge impact on the firm's access to the capital of enterprises. Estimated coefficients in both models are statistically significant at 1%, which suggests that, while enterprises have collateral, the probability of enterprises applying for bank loans but not being accepted or waiting for results from the bank declines by 40.5 percent and increases by 51.3 percent for the probability of enterprises applying for bank loans and being accepted for disbursement.

Collateral has a huge impact on the firm's access to the capital of enterprises. Estimated coefficients in both models are statistically significant at 1%, which suggests that, while enterprises have collateral, the probability of enterprises applying for bank loans but not being accepted or waiting for results from the bank declines by 40.5 percent and increases by 51.3 percent for the probability of enterprises applying for bank loans and being accepted for disbursement.

For the variables that reflect informal expenses when accessing loans such as undercover costs, gifts etc. (Corruption) the estimation coefficient is significant at 1%. This implies that the probability of accessing loans will be increased when enterprises pay under-the-table costs, particularly increasing by 51.3 percent for a firm with a loan application being approved for disbursement. This result also shows that informal costs are a great barrier when enterprises access formal sources of capital, particularly for SMEs.

Based on the estimated results, if enterprises accept higher interest payments, the probability of enterprises applying for bank loans being accepted for disbursement increased by 12.9 percent. However, this is also a problem that most SMEs face because their financial resources are limited, so it is hard for them to pay high interest rates on loans.

Especially, when the enterprises have specific business plans, it will affect their access to capital. It can be seen that if an enterprise has a specific business plan, the probability of the enterprise applying for banks loans being accepted for disbursement by 5.8% and the probability of enterprises applying for bank loans but not being accepted or awaiting results from banks decreases by 4.7%. This is also a constraint for small and medium-sized enterprises (SMEs), as the majority of them are on an individual or household basis, so it is difficult for them to have a feasible business plan.

The coefficient of estimation for the variable of the relationship between enterprises and banks has a positive sign but is not statistically significant, indicating that the relationship with the bank only facilitates the enterprises' loans' access procedures for enterprises.

The credit history of enterprises affects their access to capital from credit institutions and their banks. It can be seen that if the enterprises have finished paying bad and overdue debts, the probability of enterprises applying for a bank loan but not being accepted or awaiting results from banks decreases by 2.4 percent and increases by 8.1 percent when enterprises apply for bank loans and are accepted for disbursement.

Especially, if banks and credit institutions are transparent and fairly competitive in their lending activities, it will increase the probability of an enterprise applying for a bank loan and being accepted for disbursement by 5.8%. This also explains the impact of the unofficial payment of fees on the accessibility of institutions and enterprises to loans from banks and credit institutions.

5. Conclusions

The regression results of the Multilogistic model show that the size of the business is one of the principal factors playing an important role in the accessibility to loans from banks and credit institutions and that larger enterprises have more advantages in the processing procedures of loan applications. Barriers relating to intrinsic problems existing in enterprises seeking loans were mainly due to them not meeting requirements about collateral, particularly with SMEs when their factories and machinery have often been hired from outside. The efficiency level of asset-using and management can also affect accessibility to loans. In addition, informal expenses that occur when enterprises apply for loans are one of the decisive determinants. Institutional issues also play an important role in the access of enterprises to capital.

Based on those points, the research proposes some recommendations to improve the access of enterprises to capital, especially SMEs:

On the government side, it is necessary to create a fair business environment between the different economic sectors. The development of the private sector requires that macroeconomic policies must been developed in a synchronous manner, facilitating harmonious development among different regions in the economy and eliminating overlapping rules. The government should continue to accelerate the reform of administrative procedures: in particular, the procedures related to licensing the establishment of business registration, procedures for leasing land and procedures for granting credit, etc.

In addition, the government also needs to: Offer legal support related to enterprises through the provision of training services and legal consultancy related to enterprises, which will help businesses understand legal issues correctly and accurately, and step by step consider the observance of laws, mechanisms and policies appropriate to the self-demand of each business; Improve and enhance business support services, especially focusing on communication so that private enterprises can access the preferential sources supported by the government and international organizations; Establish a website to support enterprises with access to credit with regularly updated content—information on policies, laws, knowledge about business management, transparency of financial activities and credit packages supporting enterprises for related subjects.

On the side of banks and credit institutions, it is proposed that the government should loosen mortgage-related constraints in making loan decisions, while simplifying and improving lending procedures and reducing costs of access to credit.

First, they should improve the legal basis and information infrastructure to reduce transaction costs, thereby creating a more equal environment among enterprises when accessing capital from commercial banks.

Second, they should encourage the development of a non-bank financial system to improve the ability to satisfy demands for capital of SMEs. This, on the one hand, enhances competitiveness in the financial sector and on the other hand, reduces the dependence of the current financial system on the commercial banking system. However, this process can also create some challenges for regulators. When SMEs' access to capital in the informal financial market increases, risks and instabilities are also created from the outbreak of loans in this market. This will in turn have a negative impact on the operation of SMEs. In order to mitigate these instabilities, the government should introduce regulations regulating the behavior of non-bank financial institutions in the private sector through the development and improvement of the regulatory and supervisory system for the private non-banking financial sector. The establishment of a regulatory and supervisory system for this sector should be based on the current regulations for the formal financial sector. Developing the corporate bond market helps to reduce the burden of capital on the banking sector. However, it is necessary to follow the roadmap; first of all, to encourage large enterprises to access capital to fund expansion projects through the bond market.

Third, the government should loosen the collateral-related constraints: In considering and evaluating loan decisions, credit institutions in general and commercial banks in particular should be based on the analysis of future cash flow and the profitability of the loan project, not just on whether the business has enough collateral or not, because this is the main factor to help credit institutions receive loans on time and reduce the risk of bad debts Further, the government should expand the forms of credit loans through the acceptance of intangible assets and trademarks of the business to secure loans. At the same time, the valuation of collateral must be close to the market price and increase the loan ratio against the collateral value of the loan. In order to create favorable conditions for both credit institutions and enterprises, the government should also limit the criminalization of credit activities for these forms.

Issues related to the ability of enterprises: Enterprises need to build annual business plans as well as formulate long-term development strategies. At the same time, they should annually review the level of accomplishment of the plans. Thus, the enterprises can evaluate the capacity of their operations and make appropriate adjustments for their business activities; Enterprises should improve their accounting systems. One of the existing problems for private enterprises, especially SMEs, is that most of them have little focus on building their accounting system. As a result, enterprises also find it more difficult to access loans from credit institutions because it is difficult to meet the financial documentation required in the application for a loan. As a result, enterprises need to have a better understanding of how to build a business accounting system to serve financial management and business decision-making, instead of being mainly used for tax reporting.

In addition, the enterprises need to improve their management capacity, thereby being able to allocate resources more effectively, and boost business performance and improve business efficiency. Only when enterprises implement good business management can they reduce risk, minimize financial fraud and prevent personal fraud transactions. On the other hand, good business management will reduce information asymmetry and improve the trust of investors; therefore, not only can they access credit more easily, but they can also access capital in the domestic or international capital markets. Transparency in financial activities: For large or listed enterprises, transparency of financial activities is required. Besides, there are enterprises which are transparent but not timely and completely; or there are enterprises (especially small and micro businesses) which provide information but the internal accounting data, the data provided to tax authorities and the data provided to credit institutions when needing loans, are different. These enterprises will not create reliable relationships with credit institutions and it will be difficult to borrow capital from credit institutions, and if they are able to borrow, they will have to pay higher loan interest rates than the enterprises that have good credit reputations. Therefore, if enterprises want to access credit capital or borrow money by issuing corporate bonds or calling capital contributions of domestic and foreign investors, the strict condition is that there are transparent financial activities. At the same time, information disclosure (ID) is one of the criteria for assessing the quality of business management and financial transparency. This helps enterprises access credit more easily and more quickly. The ID must ensure the promptness, completeness and quality of disclosed information.

Due to limited research resources, this research has only evaluated some determinants of access to capital from banks and credit institutions in which these determinants have not been examined by a time factor. This is considered a topic for further research in order to have a better outlook of general determinants of accessibility to capital.

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