

Enterprise Development in Can Tho City in the Period of 2011-2018 and Its Position for Enterprise Development in the Southwest Region

Dang Thai Binh^(*)

Ph.D, Vietnam Institute of Indian and Southwest Asian Studies, Vietnam Academy of Social Sciences

Email: dangthaibinh1985@gmail.com

Vu Hung Cuong^()**

Assoc. Prof., Ph.D, Institute of Social Sciences Information, Vietnam Academy of Social Sciences

Email: vuhungcuong07@gmail.com

Phi Vinh Tuong^(*)**

Ph.D, Institute of World Economy and Politics, Vietnam Academy of Social Sciences

Email: phivinhthuon@gmail.com

Tran Van Hoang^(**)**

MA, Vietnam Institute of Economics, Vietnam Academy of Social Sciences

Email: tranvanhoang11@gmail.com

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Abstract: *The recently impressive development of enterprises in Can Tho city, the center of Vietnam's South West, has affirmed the city's increasing role as the region's development driving force. Based on the 2011-2018 Enterprise Survey data, the research analyzes the current situation of enterprise development in Can Tho city, identifying the issues that need to be addressed in order to strengthen and promote the role of Can Tho city as the region's growth driver.*

Keywords: Enterprises, Driving Force of Development, Can Tho, South West, Mekong Delta, Vietnam

1. Current development of Can Tho's enterprises

There was a fluctuation in the number of active enterprises in Can Tho city in 2011-2018, with a downward trend for 2011-2013 and an increase since 2014. The numbers differed greatly between the years, resulting in a slide of four places in Can Tho's rank in terms of its firm number, from 9th (2011) to 13th (2018). The proportion of the city's enterprises in

the total number of enterprises nationwide also decreased accordingly from 1.31% (2011) to 1.17% (2018). Despite its largest quantity of firms in the South West Region, Can Tho's enterprise development is not commensurate with the expectation of the city as a municipality and an economic center of the Mekong Delta's key economic region. The share of its business force in the total number of businesses in the South West Region ranged between 13%

and 16% in 2011-2018 and was highest (16%) in 2017 (Table 1).

The volatility in the number of Can Tho's enterprises was partly attributed to the withdrawal of inefficient businesses. For example, the city's number of firms suffering losses in 2016 surged by 30.6% from that in 2015 and its number of bankrupt companies in 2017-2018 rose by 44% from 2016 (Huyhn Bien, 2020).

Regarding firm structure by ownership, Can Tho's non-state enterprises accounted for the largest share with an increase from 98.55 in 2011 to 99.1% in 2018. The FDI firms, however, accounted for only a small proportion of 0.5% (2018). It is because of a limited number of newly-established FDI enterprises, from 21 in 2017 to 32 in 2018, or a growth of 11 after seven years. State-owned enterprises (SOEs) also played as

Table 1. Selected statistics for the growth in number of Can Tho's enterprises in 2011-2018

Year	Total number of enterprises	National rank	Regional rank	Proportion to the country's total number of enterprises	Proportion to the South West region's total number of enterprises
2011	4.410	9	1	1.31%	15.5%
2012	4.038	12	1	1.13%	14.1%
2013	3.919	14	1	1.03%	13.1%
2014	4.340	13	1	1.07%	14.0%
2015	4.718	13	1	1.05%	14.2%
2016	5.941	10	1	1.15%	15.4%
2017	6.958	12	1	1.19%	16.0%
2018	7.030	13	1	1.17%	15.2%

Source: GSO's annual enterprise surveys¹.

Table 2. Can Tho's firm structure by ownership form in 2011-2018

Year	SOEs		Non-state enterprises		FDI firms	
	Quantity	Proportion	Quantity	Proportion	Quantity	Proportion
2011	43	1.0%	4.345	98.5%	21	0.5%
2012	41	1.0%	3.968	98.3%	29	0.7%
2013	43	1.1%	3.850	98.3%	25	0.6%
2014	37	0.9%	4.278	98.6%	25	0.6%
2015	39	0.8%	4.654	98.6%	25	0.5%
2016	34	0.6%	5.865	98.9%	29	0.5%
2017	33	0.5%	6.890	99.1%	33	0.5%
2018	31	0.4%	6.967	99.1%	32	0.5%

Source: GSO's annual enterprise surveys.

¹ The authors' calculations in this section were based on the data from the GSO's annual Enterprise Surveys which adopted the method of sample survey. Thus, there might exist differences in the numbers of enterprises calculated in comparison with those listed in the 2019 *White Book* on Vietnamese Enterprises.

a minority, falling from 1% (2011) to just 0.4% (2018), which is due partly to the government's equitization policy for SOEs (Table 2).

As for firm structure by capital size, the small-sized enterprises dominated in

Can Tho city with a proportion of about 90%-92%. The shares of the medium-sized and large firms were around 4%-6% and 3%-4% respectively. The number of small-sized enterprises, in particular, was respectively 15 times and 22 times higher than those of the medium-sized and large enterprises. (Figure 1). The small-sized companies saw an increase over time while the medium-sized and large groups witnessed the opposite. More specifically, the number of medium-sized firms tend to remain stable in the last four years, which indicates an absence of investment

in expanding production scale in Can Tho city in recent years.

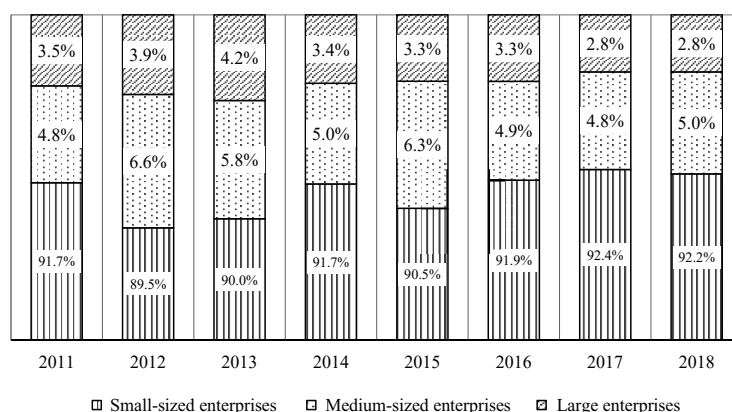
Concerning firm structure by labor scale, the micro-enterprises had the greatest increase in their number, with nine percentage points up from 72% (2011) to 81% (2018). Whereas, the small-sized companies experienced the largest shrink of minus eight percentage points, from 25% (2011) to 17% (2018). Large firms, similarly to their tendency of capital size, observed a downward trend from 1.8% (2011) to 1.3% (2018) (Table 3). Those changes of in the structure of enterprises

ring true to the situation that businesses tend to become smaller in terms of labor scale. More importantly, this structure by labor scale also reflects the imbalance in enterprise development when there was a drop in the proportions of both medium-sized and large enterprises and, particularly, the small-sized ones.

The firm structure, either by capital size or labor scale, reveals that Can Tho's enterprises are becoming smaller in size over the period of time.

About firm structure by economic sector, most enterprises in Can Tho city operate in services and their number grew slightly over the time, accounting for nearly 69% in 2018. The number of enterprises in agriculture also saw an upward trend despite

Figure 1. Can Tho's firm structure by capital size



Source: GSO's annual enterprise surveys.

Table 3. Can Tho's firm structure by labor scale in 2011-2018

Year	Micro-businesses	Small-sized enterprises	Medium-sized enterprises	Large enterprises
2011	71.9%	25.0%	1.3%	1.8%
2012	71.2%	25.2%	1.3%	2.3%
2013	71.1%	25.5%	1.2%	2.2%
2014	72.3%	24.4%	1.3%	2.1%
2015	74.5%	22.3%	1.3%	1.9%
2016	76.2%	21.2%	1.0%	1.6%
2017	78.2%	19.6%	0.9%	1.3%
2018	80.9%	17.0%	0.9%	1.3%

Source: GSO's annual enterprise surveys.

Table 4. Can Tho's firm structure by economic sector in 2011-2018

Year	Agriculture, forestry and fishery		Industry and construction		Services	
	Quantity	Proportion	Quantity	Proportion	Quantity	Proportion
2011	38	0.9%	1,513	34.3%	2,858	64.8%
2012	50	1.2%	1,401	34.7%	2,587	64.1%
2013	50	1.3%	1,319	33.7%	2,549	65.1%
2014	38	0.9%	1,424	32.8%	2,878	66.3%
2015	44	0.9%	1,513	32.1%	3,161	67.0%
2016	69	1.2%	1,803	30.4%	4,056	68.4%
2017	98	1.4%	2,098	30.2%	4,760	68.4%
2018	104	1.5%	2,090	29.7%	4,836	68.8%

Source: GSO's annual enterprise surveys.

Table 5. Can Tho's firm structure by business sector in 2011-2018

Sector	2011	2012	2013	2014	2015	2016	2017	2018
Wholesale and retail trade and repairs of engines, motorbikes, automobiles	1,618	1,435	1,481	1,720	1,915	2,342	2,764	2,805
Construction	679	619	579	641	690	872	1,071	1,081
Manufacturing and processing	776	725	688	722	762	864	954	941
Science, technology, and other academic activities	315	294	276	293	307	510	533	543
Accommodation and catering services	316	287	271	297	312	354	401	394
Transportation and warehousing	213	191	180	205	233	308	338	342
Financial and auxiliary services	100	98	99	111	108	162	253	263
Real estate	89	72	66	63	73	99	123	133
Agriculture, forestry and fishery	38	50	50	38	44	69	98	104
Other services	47	49	39	55	51	71	82	92
Education and training	34	41	41	43	48	57	81	78
Information and communications	54	48	32	38	57	54	71	63
Arts and recreation activities	22	21	23	17	19	50	53	59
Water supply, management and treatment of waste and waste water	20	23	21	27	23	28	36	33
Production and distribution of electricity and gas	31	29	27	29	34	36	35	32
Finance, insurance, and banking	36	37	28	25	21	27	32	32
Health and social assistance	14	14	13	11	17	22	26	32
Mining	7	5	4	5	4	3	2	3

Source: GSO's annual enterprise surveys.

a shrinkage in proportion. Meanwhile, there was a sharp fall in the sectorial proportion of enterprises for industry and construction (Table 4). Considering agriculture as the key sector in both Can Tho city and the South West Region, the city's business structure by sector indicates the absence of agricultural companies and processors for making the best of agricultural advantages. Given the preferential policies by the government and relevant ministries, this is an internal issue of enterprise development of Can Tho city and the South West Region.

While classifying by secondary sector, about 70% of Can Tho's enterprises in 2018 concentrated in three sectors, including (i) wholesale and retail trade, repairs of engines, motorbikes, and automobiles (40%); (ii) construction (15.4%); and (iii) manufacturing and processing (13.4%). Enterprises in each of the remaining secondary sectors accounted for less than 10%. In particular, the number of real estate firms in Can Tho fell both numerically and proportionally over the period of 2011-2014

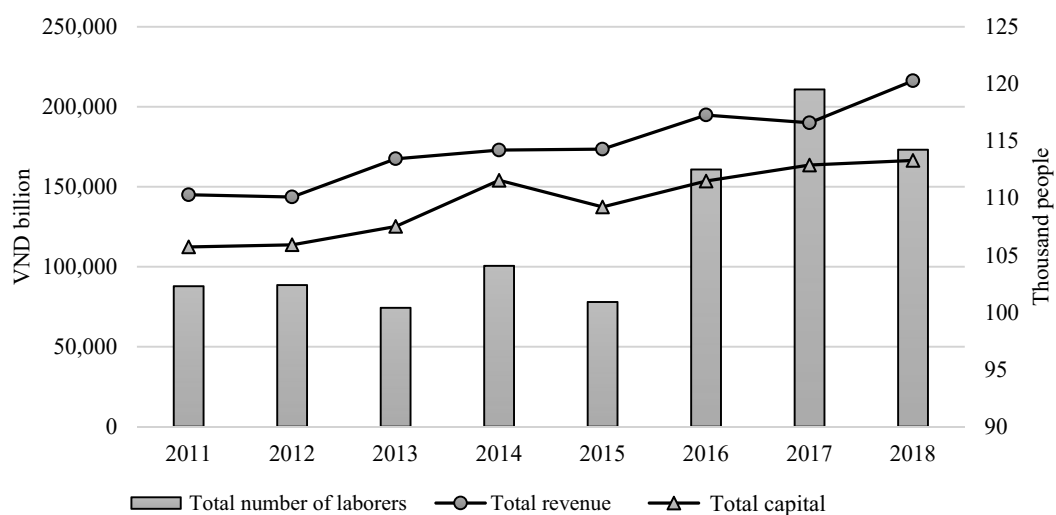
before quickly grew from 63 (2014) to 133 (2018) within the following four years (Table 5). Generally speaking, although there was an enlargement in the number of firms in services, the lack of enterprises in auxiliary services to agriculture and processing industry remains evident.

2. Current development and competitiveness of Can Tho's enterprises

* Current development

The article provides an assessment of the current development and competitiveness of Can Tho's enterprises based on the following financial indicators: total capital, total revenue, and total number of laborers. A slow growth in capital size of enterprises in 2015-2018 indicates difficulties in capital accumulation and/or investment mobilization for production expansion. Despite a rapid climb in the total number of employees in 2016-2017, a significant drop in 2018 has signaled a reducing role of enterprises in creating jobs. The tendency of their total revenue seems to increase but not stable (Figure 2).

Figure 2. Selected financial indicators for Can Tho's enterprises in 2011-2018

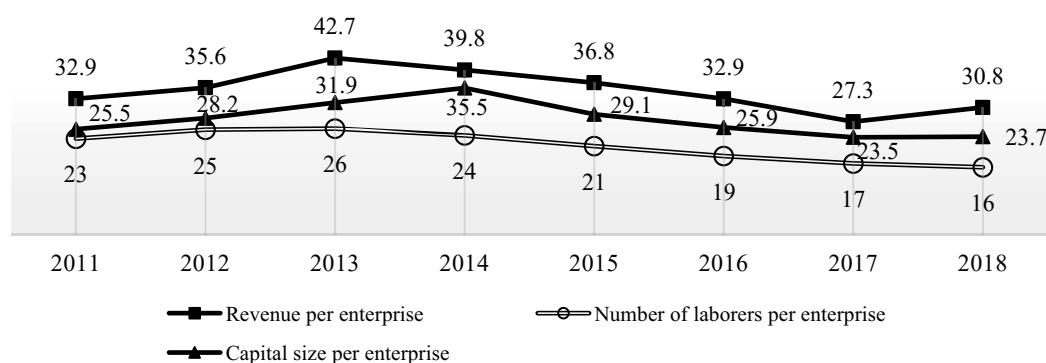


Source: GSO's annual enterprise surveys.

The average capital size of an enterprise in Can Tho city was improved quickly, from VND 25.5 billion to VND 35.5 billion in 2011-2014, and then fell sharply to VND 23.7 billion in 2018. This could be attributed to the increase in number of micro- and small-sized enterprises as aforementioned. Following the same trend, the average size of labor per enterprise was 23 in 2011, then increased to 26 in 2013 but decreased to 16 in 2018. The average revenue per enterprise declined over the study period, which in turn created difficulties for businesses in accumulating or borrowing capital (Figure 3).

The status of Can Tho's enterprises is better contrasted through the comparison between their development and the development of enterprises from the 62 remaining municipalities and provinces in the country in 2011-2018, also following the three indicators of total capital, total revenue, and total number of workers. The results showed the ranks of Can Tho for all three indicators dropped: (i) total capital indicator down 14 places, from 11th (2011) to 25th (2018); (ii) total revenue indicator down eight places, from 10th (2011) to 18th (2018); (iii) indicator for total number of laborers down seven

Figure 3. Average values for selected financial indicators for Can Tho's enterprises



Source: GSO's annual enterprise surveys.

Table 6. Ranks of Can Tho city by total capital, total revenue, and total number of laborers of enterprises in 2011-2018

Year	Total capital		Total revenue		Total number of laborers	
	Nationwide	Regionwide	Nationwide	Regionwide	Nationwide	Regionwide
2011	11	2	10	1	22	2
2012	14	2	13	1	26	3
2013	14	2	10	1	26	3
2014	14	2	14	2	27	3
2015	18	2	14	2	28	3
2016	20	2	14	2	28	3
2017	20	2	15	2	27	3
2018	25	3	18	2	29	3

Source: GSO's annual enterprise surveys.

Table 7. Ranks of Can Tho city by capital, revenue and number of laborers per enterprise in 2011-2018

Year	Capital per enterprise		Revenue per enterprise		Number of laborers per enterprise	
	Nationwide	Regionwide	Nationwide	Regionwide	Nationwide	Regionwide
2011	16	3	15	4	51	10
2012	18	4	15	3	44	7
2013	16	3	11	3	41	7
2014	20	3	16	4	45	8
2015	28	3	19	4	48	9
2016	33	5	25	6	52	11
2017	41	7	31	9	51	11
2018	45	9	29	6	51	11

Source: GSO's annual enterprise surveys.

places from 22nd (2011) to 29th (2018). Moreover, there was also a slump in the city's ranks for these indicators against those of other localities in the South West Region (Table 6).

As for the indicators of capital, revenue, and number of laborers per enterprise, the ranks of Can Tho city fell drastically, from 16th (2001) to 45th (2018) for capital per enterprise and from 15th (2011) to 19th (2018) for revenue per enterprise. The city was constantly in the bottom 20 localities for the number of laborers per enterprise in 2011-2018. Noticeably, the decline in position of Can Tho's enterprises happened both nationally and regionally (Table 7).

*** Business performance**

About 60%-70% of Can Tho's total enterprises could be able to make a profit in 2011-2018. By business sector, a high and stable proportion of profitable enterprises was observed in the sector of industry and construction. By contrast, the proportion of such enterprises in agriculture reduced over time, to only 22% in 2018 (Table 8).

This is a very issue of development for Can Tho city since agriculture is considered the sector of high potential and is favored by the government's recent policies.

By form of ownership, the share of profitable businesses was highest in the group of SOEs, followed by the groups of FDI and non-state firms respectively. In other words, non-state firms delivered a poorer performance in comparison with the other two groups. This could be linked with the limited effectiveness of central and local supporting policies to private enterprises, such as policies for small- and medium-sized enterprises (SMEs).

By operational scale, the large and medium-sized firms were making more profit than the small-sized ones, who in fact were the dominant group and the largest employer in Can Tho city. The situation indicates that further policies should be tailored for the small-sized firms towards improving their business performance and competitiveness.

*** Business efficiency**

Based on the indicators of return on assets (ROA) and return on equity (ROE) with

Table 8. Proportion of profitable businesses by business sector, ownership form, and size in 2011-2018

Year	2011	2012	2013	2014	2015	2016	2017	2018
General	67.5	57.7	66.8	64.7	48.6	62.3	64.2	59.1
By business sector								
Agriculture	84.2	70.0	68.0	81.6	59.1	60.9	43.9	22.1
Industry and construction	69.7	61.9	68.5	67.6	61.4	66.9	68.0	63.8
Services	66.2	55.1	65.9	63.0	42.3	60.3	63.0	57.9
By ownership form								
State-owned	74.4	78.0	79.1	78.4	82.1	88.2	97.0	74.2
Non-state	67.4	57.3	66.6	64.6	48.2	62.2	63.9	59.1
FDI	81.0	75.9	72.0	56.0	64.0	55.2	93.9	56.3
By size								
Small-sized	67.3	57.5	66.2	64.4	46.8	61.6	63.1	58.3
Medium-sized	67.1	57.0	72.4	65.6	62.4	67.0	78.4	68.3
Large	72.7	62.0	70.9	69.9	72.1	76.3	78.5	69.5

Source: GSO's annual enterprise surveys.

standard thresholds¹, the assessment of business efficiency and competitiveness of Can Tho's enterprises is as follows:

In general, there is just a small group of enterprises who possess development potentiality and could be able to play as the city's driving force of development and promote the city's role as the regional center. Although many businesses are making profit, but their business efficiency remains low. Only few among profitable enterprises have gained higher profits than banking deposit interest rates. By ownership, FDI firms delivered the most efficient performance with higher ROE and

ROA ratios than the standard thresholds for at least three consecutive years, indicating their good competitiveness. Meanwhile, the non-state companies were the weakest group for competitiveness (Table 9).

Many causes contribute to the business efficiency of Can Tho's enterprises in general and non-state firms in particular. *Firstly*, the business environment with the bottlenecks of transport infrastructure results in high logistics and transportation costs. *Secondly*, it is the issue of cooperation and coordination between businesses in Can Tho city and in the South West Region, which stems from the lack of medium-sized enterprises who play a coordinating role. *Thirdly*, despite the presence of some prospective firms, there is still the absence of large enterprises

¹ Enterprises whose ROA $\geq 7.5\%$ or ROE $\geq 15\%$ is maintained for at least three years in a row are considered to have a quality growth.

Table 9. Competitiveness of Can Tho's enterprises¹

Ownership form	Classification Year		2011	2012	2013	2014	2015	2016	2017	2018
SOEs	ROA $\geq 7,5\%$	Quantity	6	6	5	6	9	9	6	5
		Share (%)	20	20	50	21	29	31	19	22
	ROA $\geq 7,5\%$ in three consecutive years	Quantity			1	2	3	6	3	3
		Share (%)			10.0	7.1	9.7	20.7	9.7	13.0
	ROE $\geq 15\%$	Quantity	10	7	2	4	7	7	5	6
		Share (%)	33	23	20	14	23	24	16	26
	ROE $\geq 15\%$ in three consecutive years	Quantity			0	0	1	3	1	2
		Share (%)			0.0	0.0	3.2	10.3	3.2	8.7
Non-state firms	ROA $\geq 7,5\%$	Quantity	659	417	113	317	244	472	340	392
		Share (%)	23	19	13	12	12	13	8	10
	ROA $\geq 7,5\%$ in three consecutive years	Quantity			15	14	12	25	25	70
		Share (%)			1.8	0.5	0.6	0.7	0.6	1.7
	ROE $\geq 15\%$	Quantity	523	434	105	293	220	437	340	442
		Share (%)	18	19	12	11	10	12	8	11
	ROE $\geq 15\%$ in three consecutive years	Quantity			16	11	13	28	29	59
		Share (%)			1.9	0.4	0.6	0.8	0.7	1.4
FDI firms	ROA $\geq 7,5\%$	Quantity	10	8	4	7	6	8	8	10
		Share (%)	59	36	57	50	38	50	26	56
	ROA $\geq 7,5\%$ in three consecutive years	Quantity			1	1	2	4	3	5
		Share (%)			14.3	7.1	12.5	25.0	9.7	27.8
	ROE $\geq 15\%$	Quantity	9	8	4	6	5	9	8	10
		Share (%)	53	36	57	43	31	56	26	56
	ROE $\geq 15\%$ in three consecutive years	Quantity			2	2	2	3	3	4
		Share (%)			28.6	14.3	12.5	18.8	9.7	22.2

Source: GSO's annual enterprise surveys.

¹ For those with ROA $\geq 7.5\%$ and ROE $\geq 15\%$ in three consecutive years.

and business corporations as development leaders and breakthrough creators in order to take most advantage of the city's and

the region's potentiality. Fourthly, the capital size of enterprises has become increasingly smaller, resulting in limited reinvestment and production expansion, particularly for technological innovation to improve competitiveness.

3. Conclusion and recommendations

The development of enterprises in Can Tho city in the period of 2011-2018 has advanced considerably. In addition to the data-based analysis as above provided, the discussions and in-depth interviews with leaders of the city's authorities and businesses reveal also unsolved development issues and bottlenecks. While lacking large and capable enterprises, there are not yet adequate policies and breakthrough mechanisms to attract large corporations to invest in Can Tho city. The region's transport connections, particularly road and ports, remain poorly developed, not mention the absence of a 500KV transmission line. Meanwhile the government's initiative of establishing counterpart funds for supporting enterprises cannot be realized due to restricted financial capacity of localities.

In order to resolve the problems, some recommendations are as follows:

Firstly, there should be effective and tailored policies (on capital, technology, business conversion, start-ups, etc.) to encourage enterprises to expand production scale, improve business efficiency, and promote the development of enterprises, especially the non-state firms, in Can Tho city in particular and in the South West Region in general. It is also necessary for Can Tho city to have special mechanisms for investment attraction from large corporations and economic groups, who are able to lead the economic restructuring and

act as the development of other businesses in the region.

Secondly, since the low investment capacity and competitive of the private sector, public investments by the central and local governments should be made in transport infrastructure, particularly the region's systems of highways and sea ports, power transmission lines, and fundamental bottlenecks that currently causes high production costs for enterprises in Can Tho city and the South West Region.

Thirdly, it is necessary for Can Tho city to create favorable conditions for the prospective enterprises (i.e., those with ROE and ROA higher than the standard thresholds in three consecutive years). Such enterprises need to be promoted for the formation of linkages with other types of enterprises towards creating the spillover effect of development in the city and in the region □

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