

Dissertation Title: SMALL AND MEDIUM ENTERPRISE DEBT FINANCING IN VIETNAM

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ABSTRACT

This study is a comprehensive investigation of debt financing behaviors of the Vietnam small and medium enterprises (SMEs) through examining the determinants of credit participation, credit source selection and credit accessibility from both the credit demand side and the credit supply side. Using a unique dataset based on surveys conducted in Ho Chi Minh City, Vietnam, we examine firm and owner-specific factors that influence the credit participation and credit source selection, especially from the viewpoint of behavioral finance and social capital theories. Furthermore, the study also assesses the factors determining the credit accessibility of SMEs from supply side in regard to hard and soft information.

Methodologically, this study applied the quantitative research design in gathering data from the credit demand side and supply side. The surveys were designed separately for SME owners and bank loan officers. The data analyzing techniques included quantitative methods: reliability test of scales, explanatory factor analysis (EFA), confirmatory factor analysis (CFA), association tests, and logistic regression.

From the demand side analyses, the research results pinpointed that non-financial factors like personal traits of SME owners/managers in terms of behavioral finance factors such as debt and risk attitudes, present-biased preference and overconfidence, and firms networking also had

impacts on the firms' credit participation and credit source selection. Furthermore, from the supply side analyses, SME credit accessibility was affected by the level of firm response to required information on bank lending decisions such as the response to collateral, the response to financial information, the response to credit information and relationship lending. Further, the findings also indicated that although collateral-based lending was the most widespread method used by commercial banks and could substitute for other lending technologies, a combination of various lending information types were usually employed. This suggests that both complementarity and substitutability were found in the use of soft and hard information for bank lending decisions in Vietnam.

Ultimately, the study seeks to contribute to knowledge about factors influencing on the SME debt financing decisions in a more comprehensive approach by analyzing both the credit demand side and credit supply side. The research findings provide an analytical framework for SME owners or managers, policy makers, bankers and others concerned to have a better understanding of SME debt financing behaviors. This should lead to changes in terms of policies, management methods and lending practices to support SME credit accessibility and to improve the Vietnam credit market.