The Impact of Covid-19 Pandemic on Vietnamese Enterprises

Phung T. M. Hanh, Nguyen T. Nguyen, Nguyen T. T. Quy, and Vo T. K. Linh

ABSTRACT

The COVID-19 outbreak has brought unprecedented challenges, which are expected to have significant impacts on the development of Vietnam’s enterprises. The investigation results also show that the Covid-19 pandemic has affected the access to customers, followed by the impact on cash flow and employees of the enterprises. The supply chains of many businesses have been disrupted. Some businesses are also affected by other problems, from reducing orders, reducing output, delaying, delaying investment progress and even canceling projects that are or will be implemented.

Keywords: Covid-19 Pandemic, Development, Enterprises, Vietnam

I. INTRODUCTION

The COVID-19 pandemic is having a strong impact on the global value chain through its hubs. During the COVID-19 pandemic, hard-hit countries are also the hubs of the global production network such as China, Japan, South Korea, and the USA. When the pandemic broke out, social distancing measures were implemented, many production activities halted. The supply chain is interrupted, affecting investment and global trade activities, thereby reducing the growth of the world economy in general and many countries and regions in particular (Nguyen, 2020).

The Covid-19 epidemic has affected customer access, followed by cash flow and employees. The supply chains of many businesses have been disrupted. Some businesses are also affected by other problems, from reducing orders, reducing output, delaying, delaying investment progress and even canceling projects that are or will be implemented. Businesses also incur additional costs to prevent the Covid-19 pandemic; many businesses face difficulties because foreign experts cannot come to Vietnam to work. Many businesses have been interrupted, halted, or even stopped operating due to the pandemic situation and are on the verge of bankruptcy due to the sudden drop in demand, leading to reduced revenue as well as revenue risks debt recovery, insolvency.

In order to support businesses to overcome the effects of the Covid-19 epidemic, over the past time, the Government has introduced a series of support policies in Resolution No. 42/NQ-CP dated April 9, 2020; Resolution No. 84/NQ-CP dated April 29, 2020; extending the exemption and reduction of taxes, fees and charges, extending the deadline for paying taxes and land rents to support businesses and individuals suffering damage from the Covid-19 epidemic; monetary - credit support package... However, most businesses suggested further improving the legal system and removing bottlenecks in administrative procedures to improve the business environment and promote start-up business. Therefore, providing appropriate solutions to support businesses is also one of the focuses to help the economy recover as expected.

There are extensive researches on impact of Covid-19 pandemic on enterprises. These were followed by a number of further studies such that of Chunguang et al. 2021; Fabeil et al. 2020; Mohsin et al. 2020. Kohei et al. (2021) found the business suspension request decreased targeted firms’ sales by 10 percentage points on top of the baseline 9 percentage points decline due to COVID-19; lump-sum and prompt subsidies improved firms’ prospects of survival by 19 percentage points and the medium-run

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recovery of firms’ performance is expected to depend crucially on when infections would end, indicating that the anti-contagion policies could complement longer-run economic goals.

II.  EMPIRICAL ANALYSIS AND DISCUSSION OF RESULTS

A. The Status of Vietnamese Enterprises in the Context Covid-19 Pandemic

There was a steady increase in the number of newly enterprises established from 2016 to 2019 in Vietnam. In the year 2016, the number of newly enterprises was 110,100 enterprises, while these in the year 2019 were 138,139 enterprises. But due to the Covid-19 pandemic, Vietnam has to face many difficulties and challenges due to the complicated and unpredictable developments of slowing growth in most industries and fields. The situation of international trade disruption causes consequences to production and business activities and import and export. Meanwhile, climate change, extreme weather, drought, saltwater intrusion, rain, flood, subsidence, landslide... also cause heavy damage, negative impact on production and life. So in 2020, the volume of enterprises decreased at 134,940 enterprises and growing rate fell to 2.32%. The information about the number of newly enterprises established and growing rate enterprises has illustrated as fig. 1:

![Fig.1. Number of newly established enterprises in Vietnam](image1)

According to General Statistics office of Vietnam (2021), the number of acting enterprises increased sharply in 2016 and 2020 in Vietnam. In the year 2013, there were 505,509 enterprises compared to the same period last year. There was a stable increase in the number of acting enterprises in 2020 with 811,538 enterprises, and the growing rate around 6.98% compared to the year 2019. The number of acting enterprises by type of enterprise is shown as fig. 2:

![Fig.2. Number of acting enterprises in Vietnam](image2)
In the period 2017-2020, on average, there are 7.7 enterprises operating per 1000 people nationwide. There are 8/63 localities with the density of active enterprises per 1000 population higher than the national average, including: Ho Chi Minh City has 26.3 enterprises; Da Nang and Hanoi together have 19.1 enterprises; Binh Duong has 12.6 enterprises; Hai Phong has 10.1 enterprises; Ba Ria - Vung Tau has 8.7 enterprises; Khanh Hoa has 8.5 enterprises; Bac Ninh has 8.1 enterprises. There are 55/63 localities with the density of active enterprises per 1000 population lower than the national average, in which the localities with the lowest density of active enterprises per 1000 population in the country include: Son La and Ha Giang together has 1.4 enterprises; Dien Bien and Tuyen Quang together have 1.7 enterprises; Cao Bang, Tra Vinh, Yen Bai and Soc Trang together have 1.9 enterprises (Ministry of Planning and Investment, 2021).

B. The Impact of Covid-19 Pandemic on Vietnamese Enterprises

Enterprises facing the great impacts of the pandemic on their business activities are difficult to access customers, lack of cash flow, have to reduce labor and disrupt supply chains. The COVID-19 pandemic disrupts input and labor supply chains. For example, in the auto industry, due to scarce input components along with the implementation of social distancing, domestic automobile manufacturers such as Honda, Nissan, Toyota, Ford, and Hyundai... must declare announced to suspend production, only when the social distancing period ends and supply chains are re-connected, will auto manufacturing businesses return to operation.

Many businesses, especially those with foreign experts and foreign workers, are heavily affected by COVID-19 when the labor supply is in short supply. Labor costs during this period are also higher when businesses have to invest in more masks, antiseptic water, and implement safety measures at work to avoid virus infection.

Unemployment is most common in service industries. Over 97% of enterprises in the fields of education and training, administrative activities and services, and accommodation and catering services that responded to the survey had to reduce the number of employees during the epidemic. In particular, the situation of workers losing their jobs due to the impact of the epidemic is most common in the Southeast provinces, the Mekong River Delta and the central coastal provinces with 95%, 93% and 92% of enterprises, respectively. Businesses operating in these regions report the termination of employment.

Many FDI enterprises in Vietnam and accompanying Vietnamese enterprises acting as first- and second-level agents in the above industries are also affected, facing two major difficulties: (1) Lack of input supply from China, Korea and Japan.... and (2) Lack of labor force due to blockade, isolation or travel restrictions for workers and experts from partner countries.

In addition, many manufacturing sectors of Vietnam only focus on the export processing segment. The Covid-19 epidemic has caused many difficulties in foreign trade activities, reducing output demand, so partners have and will continue to expand, postpone and cancel orders, causing a decrease in export turnover and Quantity. Specifically, in March 2020, many US and EU businesses announced to suspend receiving orders for textiles and furniture from Vietnam for 3-4 weeks. Although Korean businesses have not made an official statement, they have actively suspended orders from Vietnamese enterprises.

Table I has shown some indicators of acting enterprises in the Covid–19 pandemic in Vietnam.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Unit</th>
<th>Year 2016</th>
<th>Year 2017</th>
<th>Year 2018</th>
<th>Year 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Number of employees</td>
<td>thousand people</td>
<td>14012.3</td>
<td>14518.3</td>
<td>14817.8</td>
<td>15151.6</td>
</tr>
<tr>
<td>- Annual average capital</td>
<td>trillion dongs</td>
<td>26049.7</td>
<td>30682.7</td>
<td>36712.9</td>
<td>40971.5</td>
</tr>
<tr>
<td>- Net turnover from business</td>
<td>trillion dongs</td>
<td>17436.4</td>
<td>20660</td>
<td>23637.6</td>
<td>15127.5</td>
</tr>
<tr>
<td>- Average compensation per month of employees</td>
<td>trillion dongs</td>
<td>7514</td>
<td>8269</td>
<td>8836</td>
<td>9325</td>
</tr>
<tr>
<td>- Profit before taxes</td>
<td>billion dongs</td>
<td>711975</td>
<td>877534</td>
<td>895560</td>
<td>889934</td>
</tr>
</tbody>
</table>


However, the COVID-19 pandemic also brings new and clearer perspectives on development opportunities. During the COVID-19 pandemic and social distancing, meetings, learning, and webinars are flourishing at different scales and levels, showing the untapped potential of the internet fully so far. Vietnamese businesses have had online meetings while the pandemic is still complicated and unpredictable, many domestic and foreign meetings are conducted online to save costs and reduce travel time for everyone.

The COVID-19 pandemic is a strong medical shock, affecting all aspects of the economy, including Vietnamese businesses. Revenues and profits of many businesses decreased; investment declines; workers lost their jobs, the unemployment rate increased. In the midst of difficulties caused by the epidemic, the epidemic also has positive effects, especially online activities such as online sales, online learning, online meetings, and even businesses with long-term plans, for employees to work from home online. COVID-19 is accelerating the adoption and launch of new products from the Fourth Industrial
Revolution. The pandemic has brought negative impacts on businesses; but at the same time bring positive changes to digital transformation. Businesses that know how to take advantage of opportunities will be able to rise strongly after the pandemic, and vice versa, businesses that do not make good use of opportunities will face many difficulties in the “post-COVID-19” period.

III. CONCLUSIONS AND RECOMMENDATION

COVID-19 affects all aspects of socio-economic life, negatively affecting economic growth, commercial activities, labor, employment and income of workers. However, facing this shock, the State quickly implemented strong solutions, first to limit the spread of the disease, and then to develop the economy. The solutions have shown initial success when controlling the epidemic, preventing it from spreading in the community for a long time (over 3 months) and socio-economic development activities, especially tourism activities. The calendar is also starting on the way to prosperity again before the epidemic breaks out again at the end of July 2020. Regarding policy recommendations, the report of the World Bank and VCCI said that priority should be given to improving policy implementation capacity to facilitate businesses to access the issued support packages. In particular, there should be specific, detailed and complete instructions on the procedures and processes to be carried out in a simple and easy way for businesses. In particular, it is necessary to study and apply some more measures that other countries are currently applying, such as financial support for businesses that maintain a high proportion of employees; to support the cost of skill training and skill improvement for employees.

Along with that, it is necessary to develop policies to develop industry and support services in the direction of reducing dependence on external supply, reducing the situation of outsourcing that has lasted too long, on the other hand also creating added value and Vietnam's better position in global supply chains, creating more opportunities to benefit from FTAs that require a high content of domestic/intra-regional origin. There are policies to create more favorable conditions for Vietnamese private enterprises to survive and be able to get ahead after the Covid-19 epidemic, especially in terms of innovation and training of high-quality human resources.

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