

Manufacturing - Construction enterprises development in Thai Nguyen province, Vietnam

Phung Tran My Hanh, Nguyen Thao Nguyen, Nguyen Thi Thanh Quy

Thai Nguyen University of Economics and Business Administration, Vietnam

Thai Nguyen University of Economics and Business Administration, Vietnam

Thai Nguyen University of Economics and Business Administration, Vietnam

Abstract

Manufacturing - Construction enterprises have played an important role in the success of development and growth of countries. Hence, Manufacturing - Construction enterprises development is very essential. The purpose of this study is to analyze Manufacturing - Construction enterprises development in Thai Nguyen province, Vietnam. Secondary data in the period between 2014 and 2017 was collected from Thai Nguyen statistics office. Data was analyzed with descriptive and inferential statistics. The results of the article have shown that the number of Manufacturing-Construction enterprises increased steadily in the period from 2014 to 2017 in Thai Nguyen province. The internal structure of the industry has shifted, but the speed is still slow when the turnover of metal and mining enterprises still accounts for a high proportion commensurate with the potential.

Keywords: *Manufacturing - Construction enterprise, capital, revenue, employee's income Thai Nguyen province*

Date of Submission: 29-04-2020

Date of Acceptance: 13-05-2020

I. Introduction

In Vietnam, the development of Manufacturing - Construction enterprise has been creating a driving force for economic growth and becoming an important strategic orientation in the country's socio-economic development strategy. In recent years, the scale of businesses across the country has increased, especially those operating in the industrial sector, which have contributed an important position in Vietnamese economy. The development of this industry group meets the practical requirements that our country is building, that is, developing a socialist-oriented market economy. The State always encourages and creates favorable conditions for Manufacturing - Construction enterprise to promote their activeness, creativity, improve management capacity, develop science and technology and human resources, and expand links with other types of businesses to improve business efficiency and competitiveness in the market, develop production and business, create jobs and improve the lives of labors.

Thai Nguyen is a province located in the Northern midland and mountainous region in Vietnam - one of the economic and cultural centers of the region, with many comparative advantages in terms of geographical location, favorable climate, mineral resources, and natural resources abundant forest resources, abundant human resources, high quality, large infrastructure investments, etc. are the conditions for promoting the development of industries in general and public enterprises career in particular. The development of Manufacturing - Construction enterprises in Thai Nguyen province in recent years has contributed to creating industrial production value soaring over the years. In addition, the development of Manufacturing - Construction enterprises in the province has created jobs for tens of thousand workers, contributing to stability and social security.

The development of Manufacturing - Construction enterprises in the province is affected by many different factors that can be controlled or beyond the control of enterprises, which have a great impact on the development of enterprises. Therefore, the study of Manufacturing - Construction enterprises development over the past years aims to encourage and create conditions for Manufacturing - Construction enterprises to develop quickly and sustainably and enhance competitiveness in the market, creating more jobs for workers, more contributions to the state budget are necessary jobs, immediate in the current situation in Thai Nguyen.

II. Research Site

Thai Nguyen province is one of the political, economic and educational centre of the northern mountainous midland in Vietnam. Thai Nguyen province is a gateway for socio-economic exchanges between mountainous midland and northern delta and exchanges were made through the road system and railway that Thai Nguyen city is the central node for.

Thai Nguyen province; with favorable conditions on geographic location, socio-economic characteristics; has created favorable conditions for the enterprise's development. In addition, with the policies about investment and enterprise development of Thai Nguyen's provincial leaders, many industrial zones and enterprises have established and attracted thousands labours from others provinces to work; especially with the number of non-state enterprises and employees who worked in this area increasing annually per year. However, Thai Nguyen's employees in non-state enterprises have lacking in various skills in order to adapt the changing of the Industry 4.0. So that, the author selects Thai Nguyen province for the research site (Thai Nguyen statistics office, 2018).

III. Results And Discussion

3.1 Number of Manufacturing - Construction enterprises in Thai Nguyen province

Vietnam Government has developed and adjusted many policies to support the development of enterprises in general and Manufacturing - Construction enterprises in particular. Since 2001, the Government has issued Decree No. 90/2001 / ND-CP of November 23, 2001 on supporting SME development, and on October 23, 2006, the Prime Minister issued a Decision No. 236/2006 / QD-TTg approving the 5-year SME Development Plan (from 2006 to 2010), proposing solutions to create a favorable business and investment environment and improve competitiveness for enterprises. In addition, on June 30th, 2009, the Government issued Decree No. 56/2009 / ND-CP on supporting enterprise development (replacing Decree 90/2001/ND-CP) regulating support policies support and state management of business development assistance. On 11 March 2018, the Government issued Decree 39/2018 / ND-CP detailing a number article of the Law on SMEs Support (replacing Decree No. 56/2009 / ND-CP).

The amount of enterprises increased steadily in Thai Nguyen province in the period from 2014 to 2017. As a result of the financial crisis and the global economic downturn from 2013, in the year 2014 the number of of Manufacturing - Construction enterprises was 785 enterprises and the growing rate decreased 3.56% compared to the year 2013. In the year 2017, the number of acting enterprises rose up 1,169 enterprises; and the growing rate reached to the highest in this period, with 31.35%. From 2014 to 2017, the average growing rate of enterprises was about 14,20%.

Figure 1 has shown the number of Manufacturing - Construction enterprise and growing rate in Thai Nguyen province from 2014 to 2017 as follow:

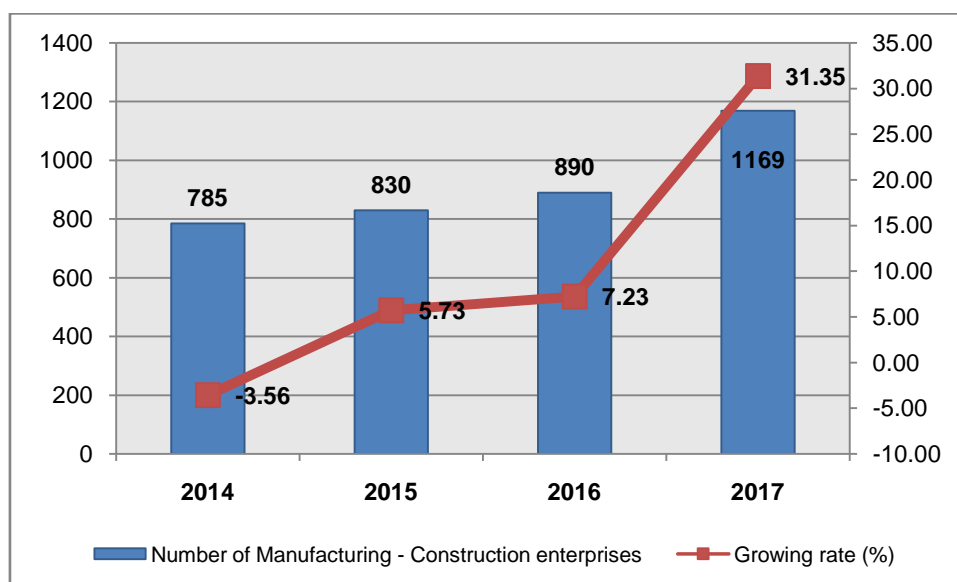


Figure 1. Number of Manufacturing - Construction enterprises in Thai Nguyen province, Vietnam

Source: Thai Nguyen statistics office, 2017 and 2018

Along with the increasing trend in the number of enterprises, Manufacturing - Construction in Thai Nguyen province in the period of 2014 - 2017 also saw a shift, in which we can see the number of manufacturing enterprises accounted for the largest proportion, from 371 enterprises in 2014, to 576 enterprises in 2017. The number of water supply sewerage, waste and management and remediation activities has the lowest number of businesses, from 11 enterprises in 2014 to 20 enterprises in 2017.

In recent years, Thai Nguyen's manufacturing - construction enterprises are mainly metallurgical, steel-rolling, mineral exploitation and processing, construction materials production, etc. using many natural resources and energy, causing many disadvantages to infrastructure and environment. The policies of the

province after 2015 restricted the development of enterprises in these fields and gradually change the internal structure of enterprises in the direction of prioritizing the development of industrial enterprises supporting high technology application, services for processing industries, information technology industry enterprises, light industry enterprises producing consumer goods and agricultural, forestry and food processing enterprises associated with concentrated raw material areas, associated with building a new countryside, in order to improve the efficiency of investment.

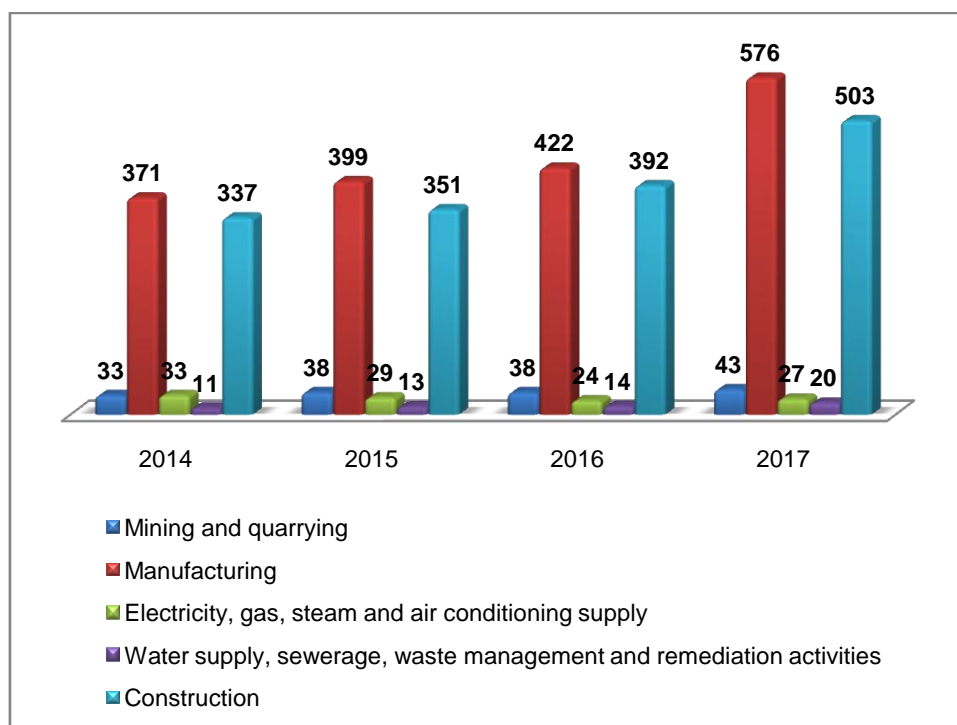


Figure 2. Number of Manufacturing - Construction enterprises by kind of economic activity in Thai Nguyen province, Vietnam

Source: Thai Nguyen statistics office, 2017 and 2018

3.2. Growth of total capital and net revenue in Manufacturing-Construction enterprises in Thai Nguyen province

The capital of manufacturing enterprises has the largest total capital and increase rapidly over the period from 2014 to 2017. The lowest business capital in 2017 belongs to Mining and quarrying enterprises. Here, there is a sudden increase in construction enterprises. The fluctuation of the total capital of industrial enterprises in Thai Nguyen province over 4 years has illustrated in Table 1.

Table 1. Annual capital of Manufacturing - Construction enterprises

Unit: Billion dong

Manufacturing - Construction enterprises	2014	2015	2016	2017
Mining and quarrying	2551	2762,8	3566,4	2907,4
Manufacturing	29935,6	139798,7	209866,2	241014,4
Electricity, gas, steam and air conditioning supply	2319,7	5999,4	6707,4	7395,4
Water supply, sewerage, waste management and remediation activities	475,9	905,5	4764,3	5375,4
Construction	7454,2	7399,3	12793,6	13590,7

Source: Thai Nguyen statistics office, 2017 and 2018

Along with the increasing of the growth of total capital, the revenue of Manufacturing - Construction enterprises also increased the production and distribution of Manufacturing due to the rise in the number of businesses, the revenue of these businesses also increased. Construction has a sharp increase in revenue in 2015 compared to 2014, due to the new establishment the number of construction enterprises, companies operating in the field. For Water supply, sewerage, waste management and remediation activities, we also noticed a slight

increase in revenue of 2016 compared to 2014, due to the significant contribution to the revenue of newly established waste treatment businesses.

Table 2. Net turnover from business of Manufacturing - Construction enterprises

Unit: Billion dong

	2014	2015	2016
Mining and quarrying	2,660.5	3,056.4	3,266.6
Manufacturing	200,328.9	429,809.7	538,290.5
Electricity, gas, steam and air conditioning supply	3,559.5	5,529.9	8,893.7
Water supply, sewerage, waste management and remediation activities	406.3	578.2	868.1
Construction	4,106.4	17,036.7	8,079.7

Source: Thai Nguyen statistics office, 2017 and 2018

3.3. Growth in the number of employees and the average income of employees in Manufacturing - Construction enterprises

The expansion number of enterprises, especially Manufacturing - Construction enterprises and intra-industry restructuring solve a large number of employees inside and outside the province who have jobs with average and medium incomes. The number of jobs increased steadily every year, contributing to solving a big problem for the provincial government in the industrialization and modernization strategy when a part of rural labor was acquired land, without jobs. Table 3 can be seen that Thai Nguyen Manufacturing - Construction enterprises have contributed significantly to the social development when creating jobs for 169,059 people in 2017 with an average income from 5.346 million VND/month to 10.531 million VND/month. In general, the growth rate of the next year's income is always higher than the previous year, showing the great advantages of developing this type of enterprises locally, contributing to stability and social security.

Table 3. Number of employees in Manufacturing – Construction enterprises

Unit: Person

	2014	2015	2016	2017
Mining and quarrying	3,768	3,479	3,379	3,296
Manufacturing	43,695	95,392	130,779	140,303
Electricity, gas, steam and air conditioning supply	1,809	2,055	1,844	1,932
Water supply, sewerage, waste management and remediation activities	1,233	1,426	1,611	2,082
Construction	14,276	12,769	16,159	21,446
Total	64,781	115,121	153,772	169,059

Source: Thai Nguyen statistics office, 2017 and 2018

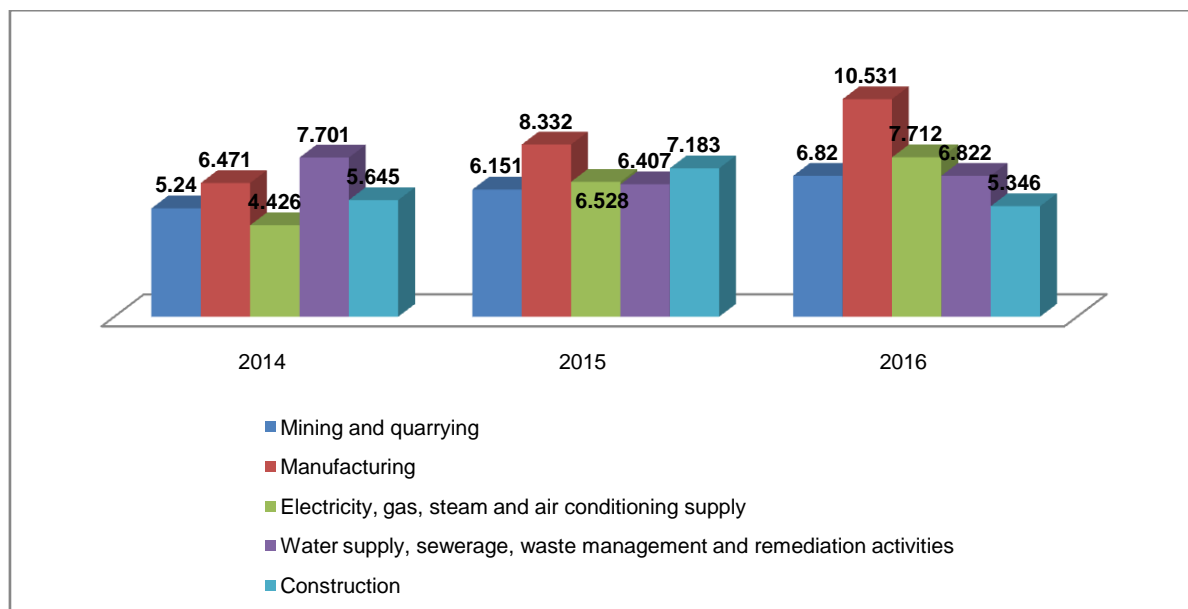


Table 3. Average compensation per month of employees in Manufacturing-Construction enterprises

Source: Thai Nguyen statistics office, 2017 and 2018

The number and size of Manufacturing - Construction enterprise is increasing rapidly, creating jobs for workers. As of 2017, the total number of employees in the province's SMEs is 169,059 people, creating jobs and income for workers in the locality as well as neighboring localities.

The internal structure of the industry is shifting in a positive direction; the proportion of processing and manufacturing enterprises has increased rapidly compared to other traditional Manufacturing - Construction such as metallurgy, mining and mineral processing to ensure the shift in accordance with the developed industrial development planning, ensuring the development trend of Manufacturing - Construction in depth. Revenue of Manufacturing - Construction is increasing, contributing significantly to the overall provincial budget.

Although the Government has developed and implemented many supporting policies for enterprises and Manufacturing-Construction enterprises, there is currently no specific policy for each type of Manufacturing-Construction enterprises and supporting policies is still unclear and specific. The content of many business support programs is still scattered, unfocused and unconnected, making it difficult for businesses to approach or receive support. Besides, the coordination mechanism of support activities among ministries, central and local governments is not effective.

In recent years, Thai Nguyen province's government has issued special support policies for the type of Manufacturing-Construction enterprises which have been recognized and appreciated by the provincial business managers compared to those of supporting policies from the Government, but the role of the Business Association in the province is still lacking, the operation of the SMEs Association and the SMEs Development Fund, the Credit Guarantee Fund are not commensurate with the target. The grasp of the needs and business situation of industrial enterprises in the province is weak and has not been proactive in developing programs to support Manufacturing-Construction enterprises.

IV. Conclusion

This study examined secondary data covering the years, from 2014 to 2017. The results of this study indicate that the number of Manufacturing-Construction enterprises increased steadily in the period from 2014 to 2017 in Thai Nguyen province. The number of manufacturing enterprises accounted for the largest proportion whereas the number of water supply sewerage, waste and management and remediation activities has the lowest number of businesses. Along with the increasing of the growth of total capital, the revenue of Manufacturing - Construction enterprises also increased the production and distribution of Manufacturing due to the rise in the number of businesses, the revenue of these businesses also increased. Thai Nguyen Manufacturing - Construction enterprises have contributed significantly to the social development when creating jobs for 169,059 people in 2017 with an average income from 5.346 million VND/month to 10.531 million VND/month. Further studies shall be conducted by the academia to explore the solutions that need to be tackled by Thai Nguyen's government in order to improve Manufacturing-Construction enterprises development. The more developed analyzes should be a guide to further increase the revenue, industry transformation, employee's income in Thai Nguyen Manufacturing-Construction enterprises in the coming periods.

References

- [1]. Vietnam Government, 2016. Resolution No. 35 / NQ-CP on supporting and developing enterprises till 2020.
- [2]. Thai Nguyen Statistical Office, 2018. Statistical Yearbook of Thai Nguyen Province 2017.
- [3]. Thai Nguyen Statistical Office, 2019. Statistical Yearbook of Thai Nguyen Province 2018.
- [4]. Vietnam Prime Minister, 2009. Decree No. 56/2009 / ND-CP of June 30, 2009 on assistance to the development of small and medium-sized enterprises
- [5]. Vietnam Prime Minister, 2018. Decree 39/2018 / ND-CP dated 11 March 2018 detailing a number of articles of the Law on Supporting Small and Medium Enterprises
- [6]. Vietnam Prime Minister , 2006. Decision No. 236/2006 / QD-TTg approving the 5-year SME Development Plan (from 2006 to 2010), proposing solutions to create a favorable business and investment environment and improve competitiveness for enterprises

Phung Tran My Hanh, et.al. "Manufacturing - Construction enterprises development in Thai Nguyen province, Vietnam." *IOSR Journal of Business and Management (IOSR-JBM)*, 22(5), 2020, pp. 58-63.