

# **INSIGHTS FROM EMERGING MARKETS**

MSMEs and Digital Tool  
Use Amidst the COVID-19  
Pandemic

VIETNAM COUNTRY BRIEF

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Shaping a more livable world.

January 2022

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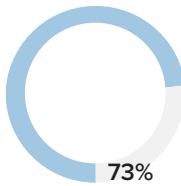
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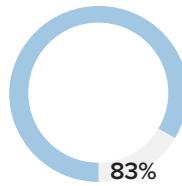
# EXECUTIVE SUMMARY

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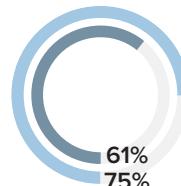
## KEY FINDINGS



More than half (73 percent) of surveyed micro, small, and medium enterprises (MSMEs)<sup>i</sup> reported that they used digital tools<sup>ii</sup> for business purposes in the past year during COVID-19.



Surveyed online MSMEs looked favorably on digital tool use during the pandemic: a large majority (83 percent) of online MSMEs reported that digital tools were important or essential to keeping their business running during COVID-19.<sup>iii</sup>



Surveyed online MSMEs recognized the help that digital tools provided in adapting to the COVID-19 environment: a large majority (75 percent) of online MSMEs reported that Facebook apps<sup>iv</sup> helped them adapt to the COVID-19 environment.

A new survey conducted by DAI and Ipsos from October to November, 2021 found that more than half (73 percent) of surveyed MSMEs were online, meaning that they had reported using digital tools (defined here as internet-based technologies) for business purposes in the past year during COVID-19.<sup>v</sup> Furthermore, surveyed MSMEs increased their use of digital tools in the past year during the pandemic: 67 percent of surveyed MSMEs reported using digital tools for business

purposes prior to the pandemic, which increased to 73 percent of surveyed MSMEs in the past year.<sup>vi</sup> Surveyed MSMEs also recognized that digital tools helped their business adapt to the pandemic environment. For example, a large majority (83 percent) of online MSMEs reported that digital tools were important or essential to keeping their business running during COVID-19. A large majority (75 percent) of surveyed online MSMEs reported that Facebook apps helped them adapt to the

<sup>i</sup> This brief uses the term “micro, small, and medium enterprises” (MSMEs) to refer to the businesses surveyed for this research, in line with terminology used by multilateral institutions such as the International Finance Corporation and the United Nations. Though the Government of Vietnam officially classifies MSMEs by a businesses number of employees, DAI applied a standardized definition for consistency across all survey countries, based on the number of full-time, part-time, or seasonal employees or workers (including the respondent): micro (1 employee), small (2–9 employees), and medium (10–249 employees).

<sup>ii</sup> “Digital tools” refers to internet-based technologies and social media. This is a broad term that includes the use of the internet in any of the following activities: social media platforms such as Facebook, Facebook Messenger, Facebook Marketplace, WhatsApp, or Instagram. Other social media platforms such as Twitter, TikTok, LinkedIn, SnapChat, Pinterest, Tumblr, Reddit, YouTube, and Zalo. Other messaging applications such as Viber, Line, WeChat, QQ, and Zalo. Business software or cloud computing such as Microsoft Office, Word or Excel, Google Drive, Docs or Sheets, and Amazon Web Services. E-commerce websites such as Amazon, Etsy, and Ebay. Email. Mobile banking and digital payments, such as PayPal, Viettelpay, and Momo. Video conferencing, such as Zoom, Skype, or Google Hangouts. Your own business website.

<sup>iii</sup> Not all MSMEs who reported ever using digital tools for business purposes were considered “online” for the purposes of this survey. Surveyed MSMEs that did not report using digital tools in the past year were considered “offline,” regardless of their use of digital tools over a year ago and/or prior to the COVID-19 pandemic. Because this subset of MSMEs no longer actively uses digital tools, they are not considered online MSMEs.

<sup>iv</sup> The term “Facebook apps” refers to Facebook, WhatsApp, and Instagram.

<sup>v</sup> This survey collected evidence directly from 999 MSME owners and top-level managers in Vietnam to understand how MSMEs have used digital tools to carry out business activities, how their digital tool use changed during the COVID-19 pandemic, and the challenges both offline and online MSMEs face in using digital tools.

<sup>vi</sup> Difference in use of digital tools for business purposes in the past year and use of digital tools for business purposes prior to COVID-19 is statistically significant per Chi-squared goodness of fit test, adjusted p < 0.05.

COVID-19 environment, and more than half (61 percent) reported that messaging apps<sup>vii</sup> helped them adapt to the COVID-19 environment.<sup>viii</sup> Lastly, surveyed online MSMEs reported using Facebook apps for the business activities about which they were asked, such as communicating with customers (60 percent), marketing with customers (54 percent), and conducting customer research (41 percent) in the past 30 days.

Surveyed online and offline MSMEs reported facing a different set of difficulties when using digital tools for business purposes. The top difficulties that surveyed online MSMEs reported facing included lack of knowledge (18 percent), lack of customer interest (18 percent), and poor or no internet connectivity (17 percent). For comparison, the top difficulties that surveyed offline MSMEs reported facing included a ‘perceived’ lack of relevance to their business (71 percent), lack of customer interest (26 percent), and lack of knowledge (24 percent). These differences highlight the need for targeted interventions by

stakeholders in the public, private, and development sectors that address unique roadblocks for online and offline MSMEs. For example, focusing on digital literacy trainings could benefit online MSMEs and raising awareness about digital tools business impacts could benefit offline MSMEs.

With concentrated efforts by policymakers and other stakeholders to address the key barriers faced by both online and offline MSME segments, Vietnam’s MSME sector will be well-positioned to integrate and harness the power of digital tools to improve business outcomes and build resilience to future economic shocks. These efforts will ensure that entrepreneurs and business owners across the MSME sector can equitably access and use digital tools to support key business functions. This will, in turn, enable Vietnam to accelerate its inclusive economic growth outcomes aligned to the United Nations Sustainable Development Goals (SDGs), a collection of 17 interlinked global development goals agreed to by United Nations Member States in 2015.

## METHODOLOGY OVERVIEW

This research was conducted as part of a broader cross-national study of digital tool usage across emerging markets in North America, South America, South Asia, and Southeast Asia. This report provides an overview of findings from interviews that Ipsos conducted with 999 micro, small, and medium enterprises (MSMEs) in Vietnam via computer-assisted personal interviewing (CAPI) from October 9 to November 4, 2021. Eligibility for the survey was restricted to owners or top-level managers of businesses with 249 or fewer employees operating from a storefront, booth, or with signage. As such, home-based businesses and other businesses without obvious storefronts, booths, and/or signage were not captured in the sample. Official statistics from the Vietnam General Statistics Office 2017 Economic Census<sup>1</sup> and the Vietnam General Statistics Office 2019 Population and Housing Census<sup>2</sup> were used to allocate the sample across three categories: micro (1 employee), small (2-9 employees), and medium (10-249 employees) businesses.<sup>ix</sup> A random walk method was implemented to conduct interviews in seven of Vietnam’s provinces. The final survey results presented in this report were weighted based on geography and differential non-response rates by urbanicity and gender of respondent. Due to the limitations of the sampling and availability of official statistics, the sample should not be considered to be representative of formal and informal businesses in Vietnam. A complete explanation of the sample design and research methodology is found in [Appendix I](#).

<sup>vii</sup> The term “Messaging apps” refers to Viber, Line, WeChat, QQ, and Zalo. It does not include WhatsApp.

<sup>viii</sup> Difference between reporting Facebook apps as helpful to adapting to the COVID-19 environment and reporting messaging apps as helpful to adapting to the COVID-19 environment among online MSMEs is statistically significant per Chi-squared goodness of fit test, adjusted  $p < 0.05$ .

<sup>ix</sup> Across all business size groupings, employees include the respondent (an owner or top-level manager of the MSME), any full-time employees or workers, and any part-time or seasonal employees or workers.

# INTRODUCTION AND BACKGROUND

Vietnam is the sixth largest economy in Southeast Asia<sup>3</sup>, with a sizeable micro, small, and medium enterprise (MSME)<sup>x</sup> sector underpinning its consistent growth, until the COVID-19-induced economic slowdown in 2020.<sup>4</sup> By allowing some MSMEs to quickly pivot online and maintain their core business functions<sup>5</sup>, digital tools<sup>xi</sup> (defined here as internet-based technologies) have become increasingly important to Vietnam's MSME community during the pandemic.

A new survey conducted by DAI and Ipsos in October and November 2021 collected evidence directly from 999 MSME owners and top-level managers in Vietnam<sup>xii</sup> to understand how MSMEs have used digital tools to carry out business activities, how their digital tool use changed during the COVID-19 pandemic, and the challenges both offline and online MSMEs faced in using digital tools.<sup>xiii</sup> Research findings also delve into differences in digital tool use across key business segments within Vietnam, such as MSMEs that were women-owned, MSMEs in different business sectors, and the differences between microenterprises, small, and medium-sized enterprises.<sup>xiv</sup>

When entrepreneurs across the MSME sector can equitably access and use digital tools in support of key business functions, Vietnam will accelerate its inclusive economic growth outcomes aligned to the United Nations Sustainable Development Goals (SDGs), a collection of 17 interlinked global development goals agreed to by United Nation Member States in 2015.



## How this research aligns with the Sustainable Development Goals (SDGs)

In 2015, United Nations Member States adopted 17 Sustainable Development Goals (SDGs) as a cornerstone of their 2030 Agenda for Sustainable Development, articulating a shared vision of urgent global priorities for the planet and its people. Recognizing the importance of their urgent call to action, this survey framework and findings tie back to multiple SDGs to inform policy and programs targeting these global goals. After assessing how online and offline MSMEs conducted basic business functions, the survey identified challenges that such MSMEs faced in regard to their digital tool usage, or lack thereof. These insights tie to SDG 9: Industry, Innovation, and Infrastructure, which calls for a significant increase in access to information and communications technology and for universal and affordable internet access. The survey also looked at how online MSMEs used digital tools for business purposes; specifically, it explored how their digital tool usage changed during the COVID-19 pandemic. By examining how MSMEs developed their economic resilience through the use of digital tools during the pandemic, this line of inquiry links to SDG 1: No Poverty and SDG 8: Decent Work and Economic Growth. Reporting on the women-owned MSME segment also sheds light on SDG 5: Gender Equality, with women-led enterprises using digital tools to enter the marketplace and contribute to the global economy. By concluding with suggested interventions for public, private, and development sector actors to address MSME challenges in using digital tools, the spirit of the survey embodies SDG 17: Partnerships for the Goals.

<sup>x</sup> This brief uses the term "micro, small, and medium enterprises" (MSMEs) to refer to the businesses surveyed for this research, in line with terminology used by multilateral institutions such as the International Finance Corporation and the United Nations. Though the Government of Vietnam officially classifies MSMEs by a businesses number of employees, DAI applied a standardized definition for consistency across all survey countries, based on the number of full-time, part-time, or seasonal employees or workers (including the respondent): micro (1 employee), small (2–9 employees), and medium (10–249 employees).

<sup>xi</sup> "Digital tools" refers to internet-based technologies and social media. This is a broad term that includes the use of the internet in any of the following activities: social media platforms such as Facebook, Facebook Messenger, Facebook Marketplace, WhatsApp, or Instagram. Other social media platforms such as Twitter, TikTok, LinkedIn, SnapChat, Pinterest, Tumblr, Reddit, YouTube, and Zalo. Other messaging applications such as Viber, Line, WeChat, QQ, and Zalo. Business software or cloud computing such as Microsoft Office, Word or Excel, Google Drive, Docs or Sheets, and Amazon Web Services. E-commerce websites such as Amazon, Etsy, and Ebay. Email. Mobile banking and digital payments, such as PayPal, Viettelpay, and Momo. Video conferencing, such as Zoom, Skype, or Google Hangouts. Your own business website.

<sup>xii</sup> This survey collected evidence directly from 999 MSME owners and top-level managers in Vietnam. See Appendix I for more details on survey methodology.

<sup>xiii</sup> Not all MSMEs who reported ever using digital tools for business purposes were considered "online" for the purposes of this survey. Surveyed MSMEs that did not report using digital tools in the past year were considered "offline," regardless of their use of digital tools over a year ago and/or prior to the COVID-19 pandemic. Because this subset of MSMEs no longer actively uses digital tools, they are not considered online MSMEs.

<sup>xiv</sup> Research findings reported in this series should not be considered representative of country MSMEs due to the limitations of the surveys. See methodology appendices for more information.

## COVID-19 AND MSMEs IN VIETNAM

The COVID-19 pandemic hit Vietnam's economy hard, but early actions by the government limited the economic fallout. In 2020, despite the pandemic's economic disruptions, the country's economy grew by 2.9 percent, the highest growth rate among Asian countries and one of the highest in the world.<sup>6</sup> But while Vietnam's macroeconomic situation remained stable during the pandemic, the country's micro, small, and medium sized enterprises (MSMEs) encountered serious disruptions. Vietnam's MSME community, which accounts for the majority of businesses, provides over three-fourths of the country with employment, and contributes forty percent to gross domestic product (GDP), reported that the pandemic was especially difficult for them.<sup>7</sup> According to a 2020 survey by the United Nations Economic and Social Commission for Asia and the Pacific, more than 80 percent of surveyed MSMEs reported that the impact of COVID-19 on their businesses was either bad or very bad, with almost all reporting a fall in profits from the previous year.<sup>8</sup> Many MSMEs reported that demand-side shocks were affecting their businesses and public health restrictions prevented traditional customer interaction.<sup>9</sup>

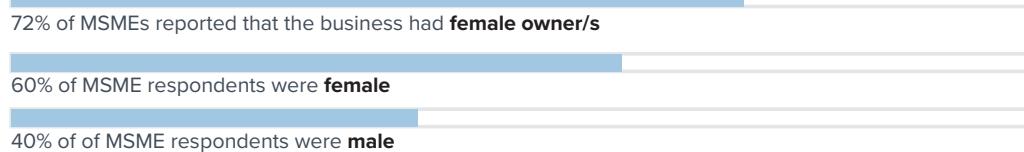
To cope with these economic disruptions, Vietnam's MSME community have integrated digital tools into their businesses. According to a 2020 report by Vietnam's Department of E-Commerce and Digital Economy at the Ministry of Industry and Trade, the e-commerce market grew by 18 percent in 2020 and 53 percent of consumers now engage in online shopping.<sup>10</sup> Nevertheless, many MSMEs face barriers, such as financing and inadequate digital literacy skills, that restrict their ability to fully integrate digital tools into their businesses.

## SAMPLE OVERVIEW

This survey had 999 MSME respondents comprised of business owners and top-level managers; the below percentages provide detail on the sample.



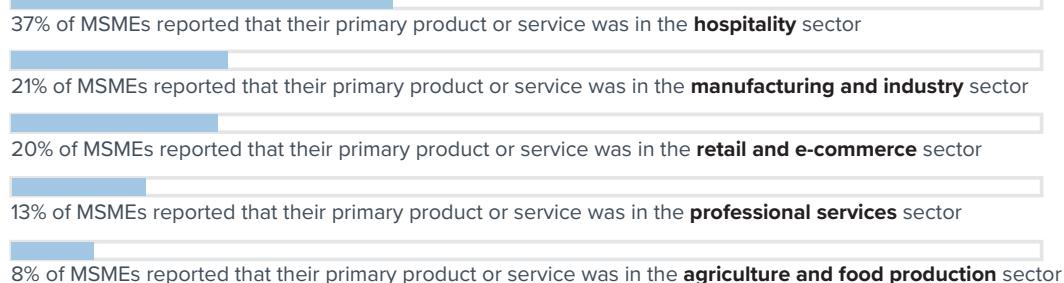
### Gender



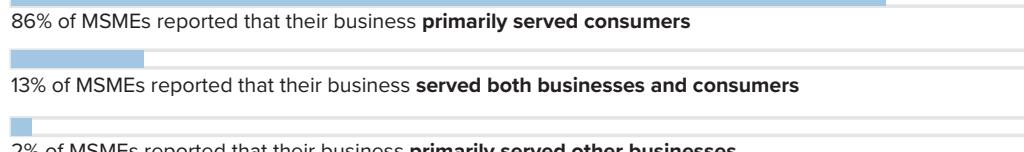
### Urbanicity



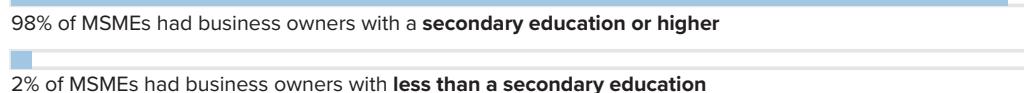
### Sector



### Customer base



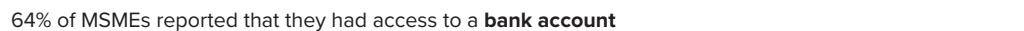
### Business owner education



### Age of business owner



### Bank account access



## MSMEs AND DIGITAL TOOL USE: SNAPSHOT IN TIME

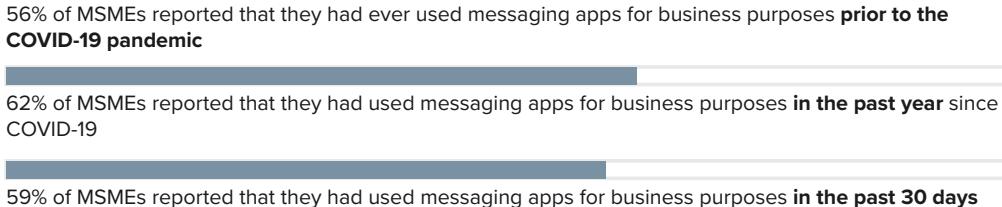
More than half of surveyed MSMEs in Vietnam reported that they used digital tools prior to the COVID-19 pandemic, with usage slightly increasing since the pandemic. Messaging apps were frequently cited as a commonly used digital tool, and a large majority of surveyed online MSMEs accessed the internet through a mobile phone.



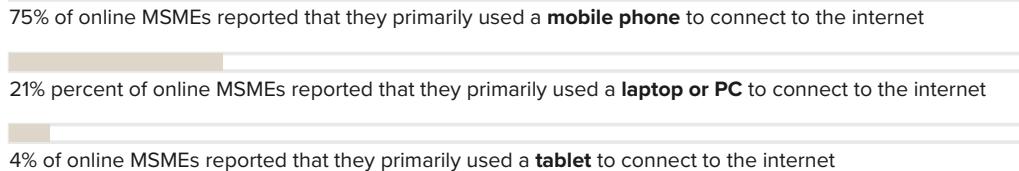
**More than half of surveyed MSMEs reported using digital tools for business purposes before the COVID-19 pandemic and have increased their use of digital tools during the past year and past 30 days:<sup>xv</sup>**



**Surveyed MSMEs cited messaging apps<sup>xvi</sup> as a frequently used digital tool during all three time periods:**



**A large majority of surveyed online MSMEs used a mobile phone to connect to the internet, while a minority used a laptop or PC:**



<sup>xv</sup> Difference in use of digital tools for business purposes in the past year and use of digital tools for business purposes prior to COVID-19 is statistically significant per Chi-squared goodness of fit test, adjusted  $p < 0.05$ .

Difference in use of digital tools for business purposes in the past 30 days and use of digital tools for business purposes prior to COVID-19 is statistically significant per Chi-squared goodness of fit test, adjusted  $p < 0.05$ .

<sup>xvi</sup> The term "Messaging apps" refers to Viber, Line, WeChat, QQ, and Zalo. It does not include WhatsApp.

## KEY INSIGHTS FOR POLICYMAKERS

More than half of surveyed MSMEs in Vietnam used digital tools for business purposes prior to the COVID-19 pandemic, but MSMEs' use of digital tools increased slightly since the pandemic. For example, 67 percent of surveyed MSMEs reported using digital tools for business purposes prior to COVID-19, which then rose to 73 percent in the past year since COVID-19. In addition, 71 percent of surveyed MSMEs reported using digital tools for business purposes in the past 30 days, roughly the same percentage who reported using digital tools in the past year and higher than pre-pandemic figures.<sup>xvii</sup> Digital tools, such as messaging apps, were widely used by surveyed MSMEs during the pandemic and saw modest increases in usage. For example, 56 percent of surveyed MSMEs reported using messaging apps prior to COVID-19, increasing to 62 percent since COVID-19.<sup>xviii</sup> This evidence suggests that more than half of surveyed MSMEs used messaging apps prior to the pandemic, and that the COVID-19 pandemic influenced an increase in this digital tool's use.



Throughout emerging markets, mobile phones are a key way for individuals to access the internet.<sup>11</sup> According to the survey results, surveyed online MSMEs in Vietnam were no exception. A large majority (75 percent) of surveyed online MSMEs reported that they primarily used a mobile phone to connect to the internet. Furthermore, survey results showed a small minority (21 percent) of surveyed online MSMEs used a laptop or PC to connect to the internet, providing some evidence that a small segment of surveyed online MSMEs in Vietnam have the resources and capabilities to use more advanced hardware. Nevertheless, given the large percentage of mobile phones in Vietnam<sup>12</sup> as well as the large percentage of surveyed online MSMEs who used a mobile phone for internet access; public, private, and development sector stakeholders could look for opportunities to enhance MSMEs use of mobile internet as an accessible 'on ramp' for expanding digital tool use amongst offline MSMEs.

xvii Difference in use of digital tools for business purposes in the past year and use of digital tools for business purposes prior to COVID-19 is statistically significant per Chi-squared goodness of fit test, adjusted  $p < 0.05$ .

Difference in use of digital tools for business purposes in the past 30 days and use of digital tools for business purposes in the past year is not statistically significant per Chi-squared goodness of fit test, adjusted  $p > 0.05$ .

Difference in use of digital tools for business purposes in the past 30 days and use of digital tools for business purposes prior to COVID-19 is statistically significant per Chi-squared goodness of fit test, adjusted  $p < 0.05$ .

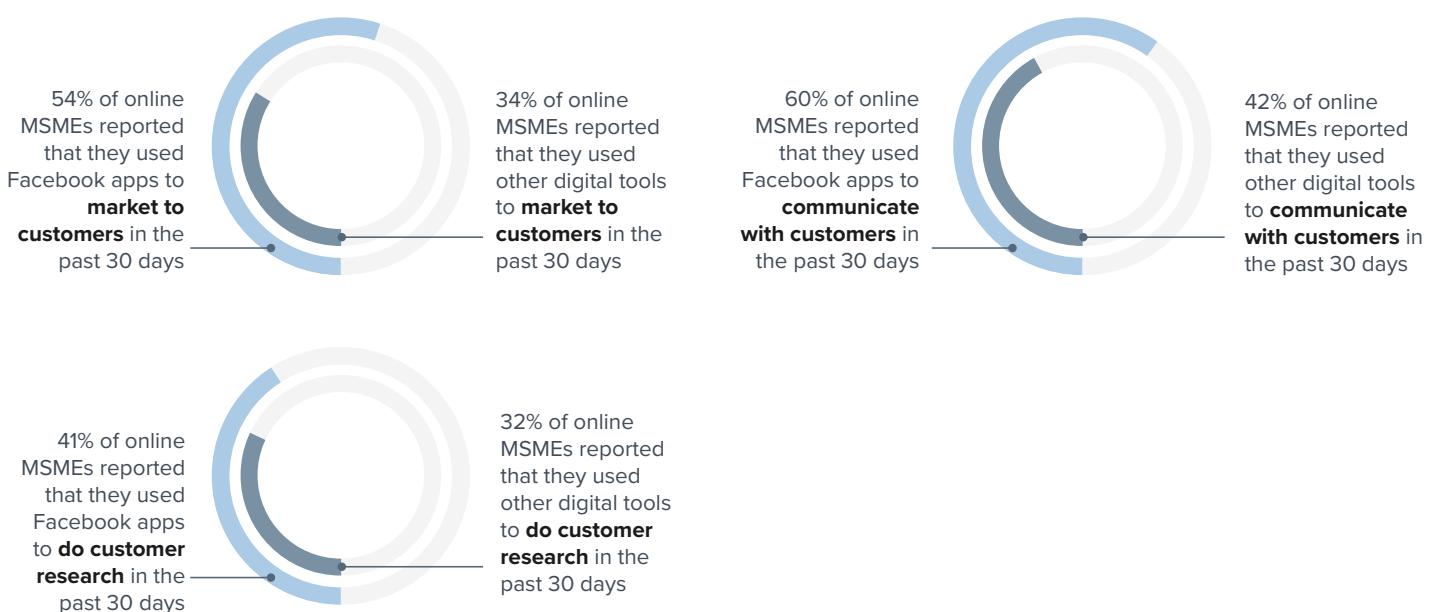
xviii Difference in use of messaging apps for business purposes in the past year and use of messaging apps for business purposes prior to COVID-19 is statistically significant per Chi-squared goodness of fit test, adjusted  $p < 0.05$ .

# HOW MSMEs MANAGE KEY BUSINESS ACTIVITIES

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Surveyed MSMEs used a variety of both online and offline tools to manage business activities, with Facebook apps cited by a high percentage of surveyed online MSMEs for conducting various business activities about which they were asked. However, offline methods<sup>xix</sup> had a strong foothold in surveyed MSME's operations, suggesting that digital tools augmented and amplified, rather than replaced, more traditional offline methods.

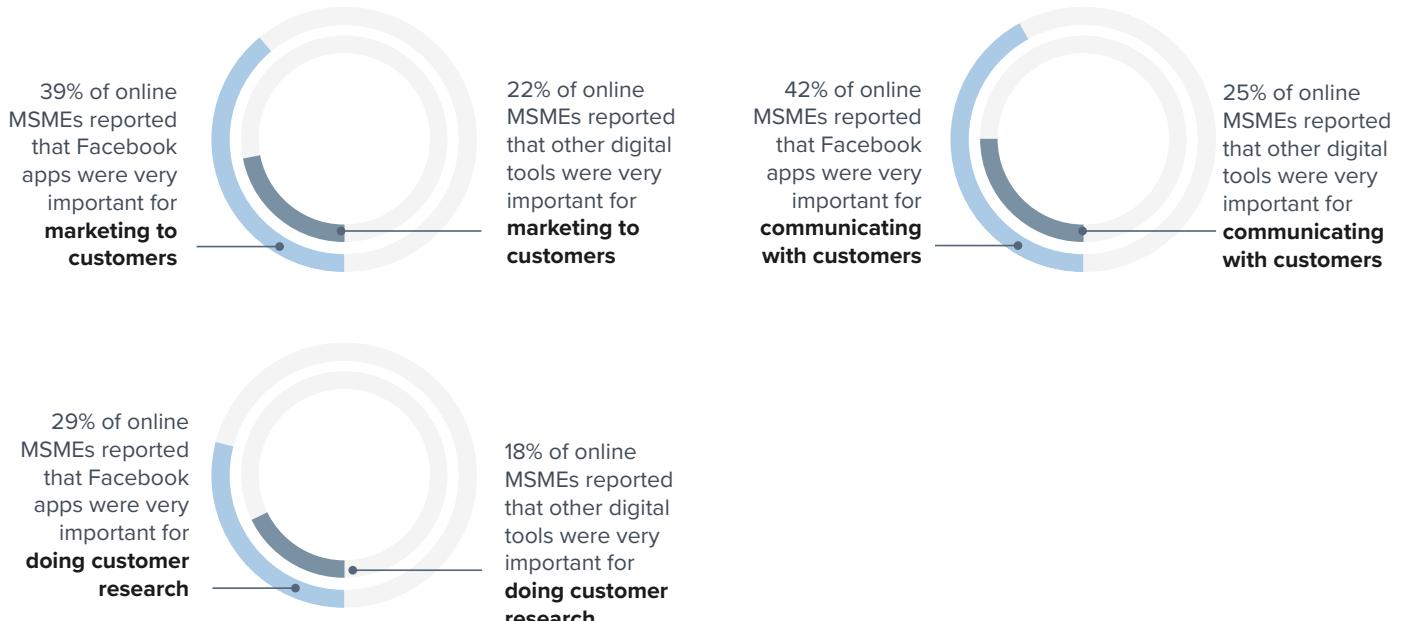
**A higher percentage of surveyed online MSMEs reported using Facebook apps as opposed to other digital tools to conduct customer-facing business activities about which they were asked...<sup>xx</sup>**



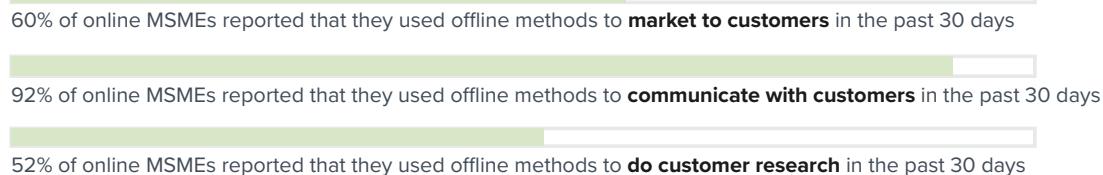
<sup>xix</sup> The term "offline methods" includes face-to-face interaction; paper-based methods such as letters, fliers or billboards; and through a telephone call, SMS, or text message (does not include WhatsApp).

<sup>xx</sup> Difference between use of Facebook apps and use of other digital tools is statistically significant per Chi-squared goodness of fit test, adjusted p < 0.05, for the following activities: communicating with customers, marketing to customers, and doing customer research in the past 30 days.

**...And a higher percentage of surveyed online MSMEs stated that Facebook apps were very important for each customer-facing business activity about which they were asked compared to other digital tools...<sup>xxi</sup>**



**...but more than half of surveyed online MSMEs used offline methods<sup>xxii</sup> to conduct each customer-facing business activity about which they were asked:**



<sup>xxi</sup> Difference between percent reporting Facebook Apps as very important and percent reporting other digital tools as very important for each business activity in question is statistically significant per Chi-squared goodness of fit test, adjusted  $p < 0.05$ .

<sup>xxii</sup> The term “offline methods” includes face-to-face interaction; paper-based methods such as letters, fliers or billboards; and through a telephone call, SMS, or text message (does not include WhatsApp).



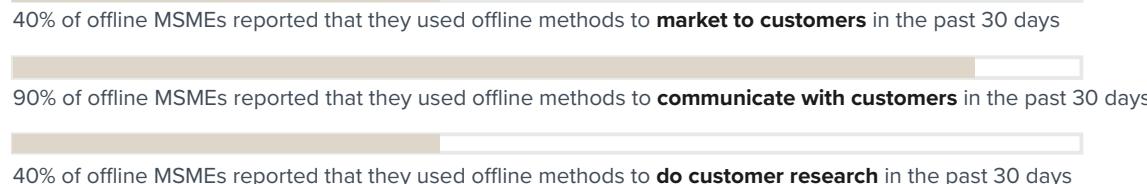
Surveyed MSMEs decreased their use of digital tools to sell goods and services during the COVID-19 pandemic, but increased their use of digital tools for this purpose in the past 30 days

Selling goods and services is a key business activity for all MSMEs. In the survey results, 62 percent of surveyed MSMEs reported that they had ever used digital tools to sell goods and services. However, survey results showed a decrease in the use of digital tools to sell goods and services during the COVID-19 pandemic. More specifically, 53 percent of MSMEs reported that they had ever used digital tools to sell goods and services prior to COVID-19, which then decreased to 45 percent during COVID-19.<sup>xxiii</sup> Additionally, survey results showed that social media use to sell goods and services decreased during the pandemic. For example, 52 percent of MSMEs reported that they had ever used social media to sell goods and services prior to COVID-19, which then decreased eight percentage points to 44 percent during COVID-19.<sup>xxiv</sup> MSMEs decrease in using digital tools to sell goods and services during the pandemic could possibly be due to MSMEs struggling to maintain operations during this turbulent period, business shutdowns, or other omitted factors.

However, survey results showed a recent increase in digital tool use for selling goods and services. For example, 56 percent of MSMEs reported that they used digital tools to sell goods and services in the past 30 days.<sup>xxv</sup> Furthermore, MSMEs increase in the use of digital tools to sell goods and services in the past 30 days placed reported usage as higher than from before the pandemic, when 53 percent of MSMEs reported that they had ever used digital tools to sell goods and services.<sup>xxvi</sup> This increase in digital tool use for selling goods and services may indicate that surveyed MSMEs only temporarily decreased using digital tools to sell goods and services during the pandemic and that digital tools are once again being used for this business purpose.



**A vast majority of surveyed offline MSMEs reported using offline methods to communicate with customers and less than half of surveyed offline MSMEs reported using offline methods to market to customers or conduct customer research in the past 30 days:**



**Less than half of surveyed MSMEs reported ever having difficulty with customer-facing business activities for which they were asked:**



<sup>xxiii</sup> Difference between use of digital tools to sell goods and services in the past year and prior to COVID-19 is statistically significant per Chi-squared goodness of fit test, adjusted p < 0.05.

<sup>xxiv</sup> Difference between use of social media to sell goods and services in the past year and prior to COVID-19 is statistically significant per Chi-squared goodness of fit test, adjusted p < 0.05.

<sup>xxv</sup> Difference between use of digital tools to sell goods and services in the past 30 days and in the past year is statistically significant per Chi-squared goodness of fit test, adjusted p < 0.05.

<sup>xxvi</sup> Difference between use of digital tools to sell goods and services in the past 30 days and prior to COVID-19 is statistically significant per Chi-squared goodness of fit test, adjusted p < 0.05.



More than half of surveyed MSMEs in the professional services and e-commerce and retail sectors reported using Facebook apps to conduct specific business activities

Surveyed MSMEs within the professional services and retail and e-commerce sectors reported high digital tool usage for customer-facing business activities. For example, more than half of surveyed MSMEs in the professional services sector (58 percent) and retail and e-commerce sector (71 percent) reported using Facebook apps to communicate with customers in the past 30 days. In addition, more than half of surveyed MSMEs in the professional services sector (51 percent) and retail and e-commerce sector (65 percent) reported using Facebook apps to market to customers in the past 30 days. As such, survey results support the conclusion that these two industries were particularly adept in using digital tools, potentially due to their businesses reliance on technology. For example, a 2017 report titled, *The impact of e-commerce in Vietnamese SMEs*, found that SMEs who worked in e-commerce reported lower costs and greater customer engagement, providing them with an incentive to use digital tools.<sup>13</sup> Additionally, businesses in the professional services sector likely use digital tools more frequently in their daily business operations due to the specialized nature of their profession.

In addition, surveyed MSMEs in the professional services and retail and e-commerce sectors increased their use of digital tools for business purposes in the past year since the pandemic compared to prior to the pandemic. For example, 71 percent of surveyed MSMEs in the professional services sector reported using digital tools for business purposes in the past year since COVID-19, as did 75 percent of MSMEs in retail and e-commerce during the same time period. In comparison, 64 percent of surveyed MSMEs in the professional services sector reported using digital tools for business purposes prior to the COVID-19 pandemic, as did 69 percent of surveyed MSMEs in retail and e-commerce during the same time period.<sup>xxvii</sup>

<sup>xxvii</sup> Among MSMEs in the professional services sector, the difference in use of digital tools prior to COVID-19 and use of digital tools in the past year is statistically significant per Chi squared goodness of fit test, adjusted  $p < 0.05$ . Among MSMEs in the retail & e-commerce sector, the difference in use of digital tools prior to COVID-19 and use of digital tools in the past year is statistically significant per Chi squared goodness of fit test, adjusted  $p < 0.05$ .

## KEY INSIGHTS FOR POLICYMAKERS

Facebook apps were the digital tool that surveyed online MSMEs most frequently reported using to conduct the customer-facing business activity about which they were asked. For instance, 60 percent of surveyed online MSMEs reported that they used Facebook apps to communicate with customers in the past 30 days, compared to 42 percent who used other digital tools during the same time period.<sup>xxvii</sup> Accordingly, surveyed online MSMEs reported that Facebook apps were very important for each customer-facing business activity about which they were asked at a higher rate than for other digital tools. For example, 42 percent of surveyed online MSMEs reported that Facebook apps were very important for communicating with customers, compared to 25 percent of surveyed online MSMEs who said this about other digital tools.<sup>xxix</sup>



Nevertheless, survey findings indicated that surveyed online MSMEs in Vietnam were supplementing rather than wholly replacing their use of offline techniques with digital tools. More specifically, a higher percentage of surveyed online MSMEs in Vietnam reported using offline methods<sup>xxx</sup>, especially face-to-face, than digital tools in the past 30 days for each business activity referenced above. For example, 92 percent of surveyed online MSMEs reported that they used offline methods to communicate with customers in the past 30 days. In this context, public, private, and development sector stakeholders have an opportunity to develop digital tools that can continue to support—rather than replace—the ways that MSMEs currently operate.

<sup>xxvii</sup> The difference between use of Facebook apps to market to customers in the past 30 days and use of other digital tools to market to customers in the past 30 days among online MSMEs is statistically significant per Chi-squared goodness of fit test,  $p < .05$ .

<sup>xxix</sup> The difference between reporting that Facebook apps were very important to communicate with customers and reporting that other digital tools were very important to communicate with customers among online MSMEs is statistically significant per Chi-squared goodness of fit test,  $p < .05$ .

<sup>xxx</sup> The term “offline methods” includes face-to-face interaction; paper-based methods such as letters, fliers or billboards; and through a telephone call, SMS, or text message (does not include WhatsApp).

# MSMEs DURING THE COVID-19 PANDEMIC

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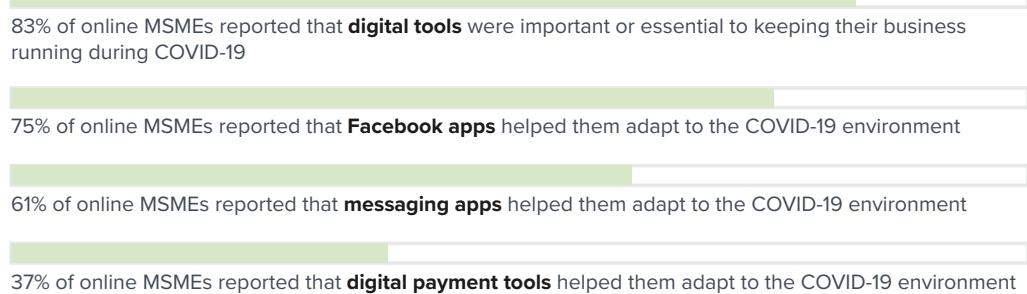
The COVID-19 pandemic was a challenge for surveyed MSMEs in Vietnam. A large majority of surveyed MSMEs closed at some point during the pandemic and experienced decreases in their sales compared to a typical year. To adapt to this new environment, a large majority of surveyed online MSMEs used digital tools and reported that digital tools were important or essential in keeping their business running during COVID-19. An interview with Bùi Ngọc Cường, the founder of the social enterprise Ngõng, showed how he used digital tools, like Facebook apps, to develop targeted marketing and communication strategies. When COVID-19 struck, Cường shifted to an e-commerce platform that has helped to close the gap between farmers and customers. See the full case study on [page 18](#).



## Surveyed MSMEs sales decreased during the COVID-19 pandemic:



## Well-known digital tools—such as Facebook apps, messaging apps<sup>xxxii</sup>, and mobile banking<sup>xxxiii</sup>—helped surveyed online MSMEs adapt to the COVID-19 economic environment:



<sup>xxxii</sup> The term “Messaging apps” refers to Viber, Line, WeChat, QQ, and Zalo. It does not include WhatsApp.

<sup>xxxiii</sup> Mobile banking as used in this brief refers to both mobile banking and digital payments.



A vast majority of surveyed medium-sized businesses used digital tools for business purposes and found them to be important or essential to keeping their business running during the pandemic

Digital tool use for business purposes was high across all surveyed business sizes in Vietnam, with surveyed medium-sized businesses reporting the highest percentages of digital use for business purposes. Prior to the COVID-19 pandemic, more than half of surveyed microenterprises and small-sized businesses used digital tools for business purposes (56 percent and 68 percent, respectively). In comparison, a vast majority of surveyed medium-sized businesses used digital tools for business purposes (91 percent) prior to COVID-19.<sup>xxxiii</sup> The gap in digital tool use between smaller and larger firms is well documented in Vietnam, with a 2021 report theorizing that smaller firms use less digital tools due to constraints in human capital and business strategy.<sup>14</sup> In addition, the Asia Foundation's Go Digital ASEAN program specifically provides under-resourced MSMEs, such as micro-entrepreneurs, with assistance in their digital transformation so they can keep pace with larger businesses.<sup>15</sup> Furthermore, during the COVID-19 pandemic, digital tool use for business purposes rose for all three surveyed business sizes, with surveyed microenterprises and small-sized businesses reporting the largest percentage point increases.<sup>xxxiv</sup> For example, 62 percent of surveyed microenterprises, 77 percent of surveyed small-sized businesses, and 93 percent of surveyed medium-sized businesses used digital tools for business purposes during the COVID-19 pandemic.<sup>xxxv</sup>

Survey results showed more surveyed online medium-sized businesses viewed digital tools as important or essential to their ability to keeping their business running during the pandemic. More specifically, 91 percent of surveyed online medium-sized businesses reported that digital tools were important or essential to keeping their business running during COVID-19. In comparison, 78 percent of surveyed online microenterprises and 84 percent of surveyed online small-sized businesses reported the same.<sup>xxxvi</sup> As such, online microenterprises and online small-businesses may have experienced a greater marginal benefit in using Facebook apps during the pandemic as opposed to larger businesses.

<sup>xxxiii</sup> Difference between microenterprise and medium-sized business use of digital tools prior to COVID-19 is statistically significant per Chi squared test of independence, adjusted p < 0.05.

Difference between small-sized business and medium-sized business use of digital tools prior to COVID-19 is statistically significant per Chi squared test of independence, adjusted p < 0.05.

Difference between small-sized business and microenterprise use of digital tools prior to COVID-19 is statistically significant per Chi squared test of independence, adjusted p < 0.05.

<sup>xxxiv</sup> Among microenterprises, the difference in use of digital tools prior to COVID-19 and use of digital tools in the past year is statistically significant per Chi squared goodness of fit test, adjusted p < 0.05.

Among small-sized MSMEs, the difference in use of digital tools prior to COVID-19 and use of digital tools in the past year is statistically significant per Chi squared goodness of fit test, adjusted p < 0.05.

Among medium-sized MSMEs, the difference in use of digital tools prior to COVID-19 and use of digital tools in the past year is statistically significant per Chi squared goodness of fit test, adjusted p < 0.05.

<sup>xxxv</sup> Use of digital tools in the past year by business size is statistically significant per Chi squared test of independence, adjusted p < 0.05.

<sup>xxxvi</sup> Difference between online medium and small businesses reporting digital tools as important or essential to keeping business in operation is statistically significant per Chi squared test of independence, adjusted p < 0.05.

Difference between online medium sized businesses and microenterprises reporting digital tools as important or essential to keeping business in operation is statistically significant per Chi squared test of independence, adjusted p < 0.05.

Difference between online small and medium sized businesses reporting digital tools as important or essential to keeping business in operation is statistically significant per Chi squared test of independence, adjusted p < 0.05.

## CASE STUDY

# NGỒNG



[www.facebook.com/www.ngong.vn/](https://www.facebook.com/www.ngong.vn/)



[www.instagram.com/gao.ngong](https://www.instagram.com/gao.ngong)



AGRICULTURE &  
FOOD PRODUCTION



MEDIUM-SIZED  
ENTERPRISE



URBAN



SDG 2:  
ZERO  
HUNGER

In 2018, Bùi Ngọc Cường took a year-long break from studying for his Master's degree in international business management to travel around his home country of Vietnam and learn about local sustainable agriculture practices. After seeing a disconnect between local farmers and Vietnamese consumers on the benefits of eating local organic produce, he founded a social enterprise named Ngồng to connect these farmers directly with consumers to provide natural, sustainable agriculture products and educational farm tours. After first buying local produce from farmers and selling it directly to stores, he started transitioning Ngồng to an online sales model.

Cường used Facebook to rapidly grow his network of farmers and customers. First, he shared photographs and posts about farmers' sustainable agricultural practices and organic produce on his personal Facebook profile until it hit maximum capacity. He then created a Facebook page for Ngồng, where he continued to share content about agricultural sustainability and the benefits of homegrown organic food, while simultaneously exploring ways to allow direct purchases between customers and farmers on the platform. Through his Facebook Page, Facebook Group, and Facebook Messenger network, Cường's business acquired a large network of over 200 partners as well as loyal customers for its sustainable agricultural goods and farm tours. To understand

demand for new products such as nut powder and kombucha, he also tested Facebook ad campaigns. This strategy helped him collect data on customer preferences while generating more customers for Ngồng - leading to a 10X increase in sales revenue.

As Cường's business revenue fell at the start of the COVID-19 pandemic, he decided to innovate and shift to an e-commerce platform. In 2021, the Sharing Farm project was born. Through this e-commerce platform, customers could learn more about sustainable agricultural products and farming, while farmers were educated on the expected quality standard for their products. This initiative helped close the gap between the farmers and customers. This online pivot presented a win-win opportunity for both groups and for Ngồng as a company: a shift to wholesale pre-orders. As a result, customers saved 30% on purchases, farmers had guaranteed orders for their sustainably produced agricultural goods, and Ngồng's revenue grew by 50% every month in Q1 2021 with 70% of its total revenue coming from Facebook Messenger. This wholesale pre-order business model ensures minimal food waste from farm to table.

In the future, Cường wants to continue building demand for a sustainable ecosystem and its benefits for all – customers, farmers, and the environment.



He is now also working with experts to introduce homegrown Vietnamese produce to global markets. By promoting agricultural productivity and increased incomes for small-scale food producers, Cường's business Ngồng embodies SDG 2: Zero Hunger.

**"Customers can ask questions to farmers directly on Facebook... This is easier for new customers as it lets them know how to use the platform and more about the product."**

## KEY INSIGHTS FOR POLICYMAKERS

Survey results showed the economic slowdown stemming from the COVID-19 pandemic negatively affected a large majority of surveyed MSMEs' sales throughout Vietnam. Eight out of ten (84 percent) surveyed MSMEs reported that their sales decreased during the pandemic compared to a typical year. These findings are aligned with outside research, such as a 2020 survey conducted by the United Nations Economic and Social Commission for Asia and the Pacific which found that more than 80 percent of surveyed MSMEs reported that the impact of COVID-19 on their businesses was either bad or very bad.<sup>16</sup>

Despite reported decreases in sales among surveyed MSMEs, many surveyed online MSMEs reported that digital tools helped them adapt to the COVID-19 environment. For example, a large majority (83 percent) of surveyed online MSMEs reported that digital tools were important or essential to keeping their business running during COVID-19. In addition, from a list of various digital tools, a large majority (75 percent) of surveyed online MSMEs reported that Facebook apps helped them adapt to the COVID-19 environment. Furthermore, 61 percent of surveyed online MSMEs reported that messaging apps helped them adapt to the COVID-19 environment and 37 percent of surveyed



online MSMEs reported that digital payment platforms helped them adapt to the COVID-19 environment.<sup>xxxvii</sup> In contrast, eight percent of surveyed online MSMEs reported that email helped them adapt to the COVID-19 environment.<sup>xxxviii</sup> Aligned with the well-documented phenomenon of technological leapfrogging, by which entrepreneurs in emerging markets bypass the use of established technologies in favor of newer ones,<sup>17</sup> surveyed online MSMEs in Vietnam appeared to favor newer digital tools such as social media compared to older digital tools like email. With the growing importance of digital payment tools alongside the robust usage of intuitive, cost-effective tools such as Facebook and messaging apps, there may be an opening for public, private, and development sector stakeholders to increase digital tool use among Vietnam's MSMEs community by using these established tools as an "on-ramp" for increased adoption of other digital tools. Additionally, by providing MSMEs with a positive user experience in the early adoption and usage of digital tools, the increase in digital tool use during the pandemic has the potential to convert into long-term behavior change and a sustained process of digitalization by MSMEs.

<sup>xxxvii</sup> Difference between reporting Facebook apps as helpful to adapting to the COVID-19 environment and reporting messaging apps as helpful to adapting to the COVID-19 environment among online MSMEs is statistically significant per Chi-squared goodness of fit test, adjusted p < 0.05.

Difference between reporting messaging apps as helpful to adapting to the COVID-19 environment and reporting digital payment platforms as helpful to adapting to the COVID-19 environment among online MSMEs is statistically significant per Chi-squared goodness of fit test, adjusted p < 0.05.

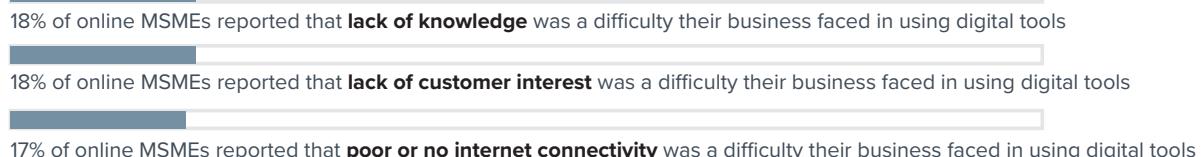
<sup>xxxviii</sup> Difference between reporting digital payment platforms as helpful to adapting to the COVID-19 environment and reporting email as helpful to adapting to the COVID-19 environment among online MSMEs is statistically significant per Chi-squared goodness of fit test, adjusted p < 0.05.

# BARRIERS TO THE ADOPTION AND USE OF DIGITAL TOOLS AMONG MSMEs

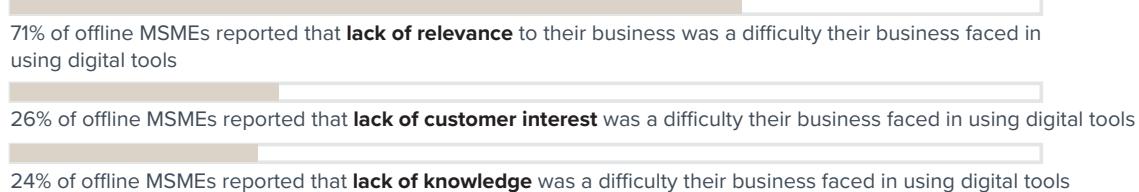
Surveyed online MSMEs reported that a lack of knowledge was a difficulty their business faced in using digital tools for business purposes, while surveyed offline MSMEs cited a ‘perceived’ lack of relevance to their business. Additionally, surveyed online and offline MSMEs alike reported an interest in learning more about using digital tools to find new customers and communicate with existing ones, although reported interest was much higher among surveyed online MSMEs. Nguyen Trung Kien, the manager of Vua Áo Lớp Cần Thơ (King Uniforms), expressed that he had difficulty in using unfamiliar digital tools for the first time. He believes that business owners would benefit from additional training on how to use digital tools. See the full case study on [page 23](#).



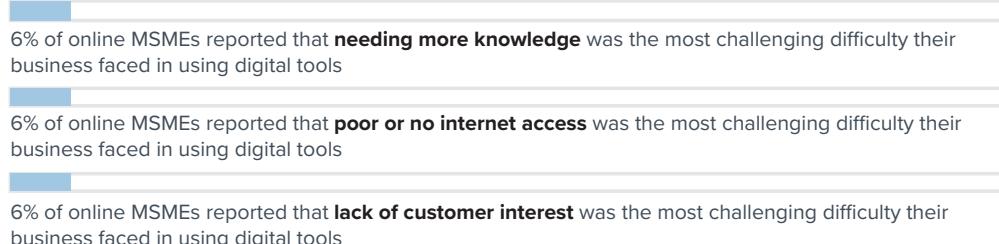
## Top difficulties that surveyed online MSMEs reported facing included lack of knowledge, lack of customer interest, and poor or no internet connectivity:



## Top difficulties that surveyed offline MSMEs reported facing included a lack of relevance to their business, a lack of customer interest, and a lack of knowledge:



## The most challenging difficulties<sup>xxxix</sup> that surveyed online MSMEs reported facing included needing more knowledge, poor or no internet connectivity, and a lack of customer interest:



<sup>xxxix</sup> When asked what was their most challenging difficulty using digital, responses were coded to fit 18 options. Options: need more knowledge or know-how; poor or no internet connectivity; it is too expensive or the costs are too high; difficult to access a mobile phone, tablet, or computer; do not have consistent access to electricity; customers do not use them; suppliers do not use them; they are not relevant to this business or do not see a need for them; do not trust digital transactions; fear of information being stolen; hard to comply with legal requirements such as digital security and consumer protection standards; not enough relevant posts, articles, pictures or videos in my local language; fear of accessing inappropriate or offensive posts, articles, pictures or videos; digital tools were not effective or did not work; nothing prevents this business from using the internet, social media, or digital tools; other; don't know; refused.



**The most challenging difficulties that surveyed offline MSMEs reported facing included a lack of relevance and need more knowledge about digital tools:**

26% of offline MSMEs reported that **lack of relevance** to their business was the most challenging difficulty their business faced in using digital tools

11% of offline MSMEs reported that **needing more knowledge** was the most challenging difficulty their business faced in using digital tools



More surveyed men-owned MSMEs were self-taught on how to use digital tools while more surveyed women-owned MSMEs learned from friends or family

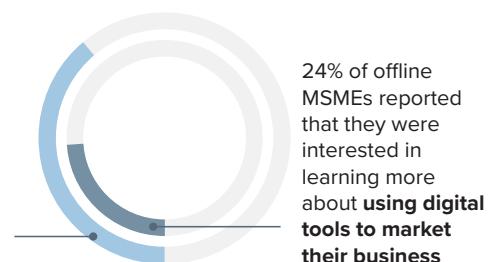
Survey results showed that more surveyed online men-owned MSMEs were self-taught on how to use digital tools than surveyed online women-owned MSMEs. More specifically, 77 percent of surveyed online men-owned MSMEs reported that they were self-taught on how to use digital tools, compared to 68 percent of surveyed online women-owned MSMEs.<sup>x</sup> Meanwhile, more surveyed online women-owned MSMEs learned how to use digital tools from their friends or family. For example, 76 percent of surveyed online women-owned MSMEs reported that they learned how to use digital tools from their friends or family, compared to 67 percent of surveyed online men-owned.<sup>xii</sup>

**Surveyed online and offline MSMEs reported an interest in learning more about using digital tools to find new customers and communicate with existing ones, although percentages were higher for surveyed online MSMEs:**



41% of offline MSMEs reported that they were interested in learning more about **using digital tools to communicate with existing customers**

39% of online MSMEs reported that they were interested in learning more about **using digital tools to market their business**



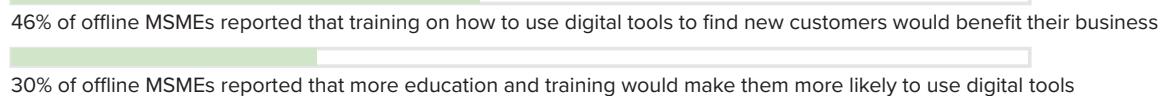
43% of offline MSMEs reported that they were interested in learning more about **using digital tools to find new customers**

<sup>x</sup> Reported being self-taught in learning to use digital tools by gender of owner among online MSMEs is statistically significant per Chi squared test of independence, adjusted p < 0.05.

<sup>xii</sup> Reported learning from family or friends in learning to use digital tools by gender of owner among online MSMEs is statistically significant per Chi squared test of independence, adjusted p < 0.05.



**Surveyed offline MSMEs reported that more education and training would make them more likely to use digital tools:**

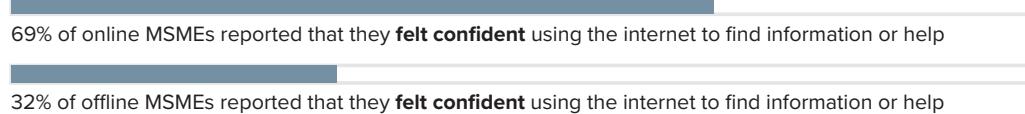


46% of offline MSMEs reported that training on how to use digital tools to find new customers would benefit their business

30% of offline MSMEs reported that more education and training would make them more likely to use digital tools



**More than half of surveyed online MSMEs reported feeling confident in using digital tools to find information or help online, while a minority of surveyed offline MSMEs reported the same:**



69% of online MSMEs reported that they **felt confident** using the internet to find information or help

32% of offline MSMEs reported that they **felt confident** using the internet to find information or help



**More than half of surveyed online and offline MSMEs reported learning how to use digital tools from friends or family**

The most frequently selected response by both surveyed online and offline MSMEs about how they learned how to use digital tools was from their friends or family. For example, 74 percent of surveyed online MSMEs and 65 percent of surveyed offline MSMEs reported that they learned how to use digital tools from their friends or family.<sup>xlvi</sup> However, surveyed online MSMEs' second most frequently selected response was that they were self taught on how to use digital tools. More specifically, 70 percent of surveyed online MSMEs reported that they were self-taught on how to use digital tools, compared to 38 percent of surveyed offline MSMEs.<sup>xlvii</sup> Furthermore, surveyed offline MSMEs' second most frequently selected response (39 percent) was that they learned how to use digital tools from peers in their community. Based on these survey results, future digital literacy training programs could be modeled on educating trusted community members to deliver accurate information about digital skills to their social or family circles.

<sup>xlvi</sup> Reported learning from friends or family in learning to use digital tools by connectivity status (online or offline) is statistically significant per Chi squared test of independence, adjusted  $p < 0.05$ .

<sup>xlvii</sup> Reported being self-taught in learning to use digital tools by connectivity status (online or offline) is statistically significant per Chi squared test of independence, adjusted  $p < 0.05$ .

## CASE STUDY

# VUA ÁO LỚP CÀN THƠ (KING UNIFORMS)



[www.facebook.com/  
inaothuncantho/](https://www.facebook.com/inaothuncantho/)



MANUFACTURING  
& INDUSTRY



MEDIUM-SIZED  
ENTERPRISE



URBAN



SDG 9: INDUSTRY,  
INNOVATION, AND  
INFRASTRUCTURE

As a young student, Nguyen Trung Kien was inspired to design school uniforms because he saw them as a symbol of community solidarity. He later started a manufacturing and printing business called King Uniforms that has grown to over 30 employees with a Can Tho storefront and a robust online presence.

Even prior to the COVID-19 pandemic, Kien cited digital tools as critical to the success of his business. Over two years ago, he began using Facebook Business to post pictures of his products and market them to parents interested in purchasing school uniforms for their children. Using Facebook advertisements increased his company income by 40 percent compared to his previous sales levels, when he relied on in-person sales through his storefront. Facebook Messenger was also a critical engine of growth for Kien's business, with a 50% close rate through Messenger chats with prospective customers. In addition to his use of Facebook, Kien also sold King Uniforms' products and markets to customers through regional e-commerce platform Shopee.

However, during the pandemic, Kien has begun using digital tools to appeal to a new customer base - large companies who require uniforms for their workforce. The shift in his business model away from school uniforms in favor of work uniforms required Kien to rely on more targeted advertising methods and marketing tools. Using these tools, he shares information about his new product line to a different



pool of prospective customers and grows his reputation within the marketplace. While his sales volume has yet to recover to pre-pandemic levels, he can generate sufficient income to help his business survive and retain some of his own employees. By enhancing MSME growth in the digital economy through his use of social media, Kien advances progress on SDG 9: Industry, Innovation, and Infrastructure.

Despite Kien's success with online marketing and sales, he also expressed that he had difficulty in using unfamiliar digital tools for the first time. However, he has gradually overcome this challenge as he has grown more comfortable in using these tools. To address this issue, he recommends that digital platforms focus on creating

products that are easy to use and organize trainings for business owners on using their platforms. By using digital tools to grow his business and successfully shift his customer base during the COVID-19 pandemic, Kien's MSME is positively contributing to Vietnam's economic growth journey.

**"I still find myself lucky to still be surviving in this difficult time. With Facebook, we still can outreach to our customers without physically going out to meet them."**

## KEY INSIGHTS FOR POLICYMAKERS

Surveyed online and offline MSMEs reported facing a different set of difficulties when using digital tools for business purposes. A lack of knowledge (18 percent) and a 'perceived' lack of customer interest (18 percent) were top difficulties that surveyed online MSMEs reported facing in using digital tools, along with six percent of surveyed online MSMEs reporting that both barriers were the most challenging difficulty they faced. In comparison, a top difficulty reported by surveyed offline MSMEs was a lack of relevance to their business (71 percent), along with 26 percent of surveyed offline MSMEs reporting this was the most challenging difficulty their business faced in using digital tools. These findings suggest that investments made by public, private, and development sector stakeholders in facilitating MSMEs' digital transformation target specific topics for online and offline MSMEs. For example, addressing the lack of knowledge about digital tools could benefit online MSMEs and promoting digital tools business relevance could benefit offline MSMEs.



Survey results showed that surveyed online and offline MSMEs were interested in learning more about digital tools, particularly for finding new customers and communicating with existing ones. More specifically, 54 percent of surveyed online MSMEs and 43 percent of surveyed offline MSMEs reported that they were interested in learning more about using digital tools to find new customers. Similarly, 52 percent of surveyed online MSMEs and 41 percent of surveyed offline MSMEs reported that they were interested in learning more about using digital tools to communicate with existing customers. Furthermore, 46 percent of surveyed offline MSMEs reported that training on how to use digital tools to find new customers would benefit their business and 30 percent of surveyed offline MSMEs reported that more education and training would make them more likely to use digital tools. As such, these findings reinforce the importance of working directly with MSMEs to build their digital skills on specific topics of interest, such as locating new customers.

# CLOSING REMARKS

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With continued improvements in digital literacy, and targeted interventions to raise offline MSMEs' awareness of the benefits of digital tools for business efficiency and growth, Vietnam's MSME sector will be well-positioned to harness the power of digital tools to improve business outcomes and become more resilient to future economic shocks. Seventy-three percent of MSMEs surveyed in this study were online, and a large majority (83 percent) of surveyed online MSMEs reported that digital tools were important or essential to keeping their business running during COVID-19. These findings present a rich opportunity for policymakers and other stakeholders to make a case for greater uptake of digital tools among offline MSMEs and identify targeted solutions by addressing digital literacy and lack of digital tool's 'perceived' relevance. Stakeholders could additionally take advantage of the network effect of social media apps to draw offline businesses into the online world.

Both surveyed online and offline MSMEs reported a need for training: surveyed online MSMEs reported a desire for additional training in specific aspects of using digital tools for business such as finding new customers and communicating with existing customers, while surveyed offline MSMEs reported that more education and training would make them more likely to use digital tools. Looking ahead, it will be important to provide targeted, appropriate interventions to address digital literacy and business relevance barriers while continuing to enhance the skills of online MSMEs to further increase their use of digital tools. Promoting equitable digital tool usage within Vietnam's MSME sector will help build an economy resilient to the COVID-19 pandemic and future shocks. MSMEs poised to grow and scale as the pandemic recedes will accelerate economic growth outcomes and support Vietnam in achieving its SDG commitments.

# APPENDIX I: METHODOLOGY

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## OVERVIEW OF THE SURVEY DESIGN

Between October 9 to November 4, 2021, Ipsos conducted 999 in-person interviews of enterprises via computer-assisted personal interviewing (CAPI) to better understand their use of digital tools as well as their challenges and barriers to digitization.<sup>xliv</sup>

The sample for the study was defined to include and be limited to Vietnam's micro (1 employee), small (2 to 9 employees) and medium (10 to 249 employees) business populations<sup>xlv</sup> (summarized as "business size" in the text). Official statistics on the business population from the Vietnam General Statistics Office 2017 Economic Census<sup>xvi</sup> were used to set target numbers of interviews by provinces and municipality cities within Vietnam.

The targets for business size were set to approximate the distribution of the MSME population by business size across all of Vietnam, however these estimates are imperfect as the official statistics on which they are based do not include informal businesses and

are not sufficiently recent to account for the impact of COVID-19 on business operations. Due to the lack of reliable official statistics, the data is not considered to be representative of the entire MSME formal and informal business population in Vietnam.

Furthermore, a minimum target of 150 women-owned businesses was set for the sample. This means that if 150 interviews were not reached when the final sample size was achieved, then additional interviews would be conducted to ensure the sample included 150 interviews with women-owned businesses. In Vietnam, this minimum was achieved naturally and no oversample was required.

Based on these estimates, the sample targets were allocated as shown below, which also shows the actual counts achieved from fieldwork:

*Target and Actual Interview Counts by Business Size, Urbanicity and Business-Owner Gender in Vietnam*

BUSINESS SIZE		URBANICITY <sup>xvi</sup>			BUSINESS-OWNER GENDER			
	TARGET	ACTUAL		TARGET	ACTUAL		MINIMUM REQUIRED	ACTUAL
Micro	400	399	Urban	900	898	Women	150	716
Small	450	450	Rural	100	101			
Medium	150	150						

<sup>xliv</sup> This is one in a series of 13 country reports about micro, small and medium-sized enterprises' (MSMEs) use of digital tools in North America, South America, South Asia, and Southeast Asia. These are accompanied by a global report, containing a complete description of the research and survey methodology.

<sup>xlv</sup> Across all business size groupings, employees include the respondent (an owner or top-level manager of the MSME), any full-time employees or workers, and any part-time employees or workers.

<sup>xvi</sup> Urban, suburban and rural categories are not standard terms in Vietnam and will be used and defined as per the following: urban (national cities); suburban (provincial cities or rural districts of national cities); and rural (provincial towns of provinces or rural districts of provincial cities).

## SAMPLE DESIGN

The sample design was a multistage stratified cluster sample. This means that the population was divided into geographic blocs and then through stages, each time selecting a more limited geographic unit until the final sampling unit for interviewing was selected. The geographic and sampling units defined at each stage were the following:

- **PSUs:** Primary sampling units (PSUs) were defined as Vietnam's first-tier administrative divisions (referred to as "provinces" in the text). The provinces were stratified across Vietnam's three regions, and seven provinces were selected out of the 63 provinces nationally. Four were selected with certainty (100 percent probability) due to their commercial importance: Hanoi, Ho Chi Minh City, Da Nang and Khanh Hoa. The remaining three provinces, Thanh Hoa, Dong Nai and Can Tho, were selected with random probability proportional to the business population in their regional stratum using the 2017 Economic Census.<sup>19</sup>
- **SSU1s:** Secondary sampling units (SSU1s) were defined as districts. The selected provinces contained 101 districts out of the 713 districts nationally. These were stratified by urbanicity (urban / rural) then a total of 48 districts were selected with random probability proportional to the number of persons in their PSU-Urbanicity stratum using the 2019 Vietnam Population and Housing Census.<sup>20</sup>
- **SSU2s:** SSU2s were defined as commercial business areas. There were no available statistics for the total universe of SSU2s so they were selected using the combined knowledge of the research team and Ipsos' on-the-ground experience. This analysis took into account meeting target interview counts by urbanicity and business size. Where an SSU1 contained only one commercial business area, that served as the default SSU2. In densely populated business districts, a discretionary SSU2 would be selected to begin the random walk selection of individual businesses.
- **Individual businesses:** Within each of the SSU2s, enumerators identified businesses to contact by using the random walk method. That is, after beginning at a random spot within

a demarcated geographic area, selected by the project management team based on their knowledge of local business districts, enumerators counted off and approached every 'Xth' business, where 'X' was a randomly selected number provided on their interview sheets. First, they walked on the right-hand side of the street and turned right until they had walked around the entire perimeter, then they repeated the same process on the left side of the street. For the purposes of this survey, Ipsos enumerators only made contact with businesses with a storefront, booth or signage.

Once a business was identified, enumerators proceeded to gain consent for the interview. If the respondent agreed, the enumerator administered the screening questions and, if qualified, conducted the survey. If a business was not available, or the respondent requested that the interview be rescheduled, enumerators made three attempts to reach the business. If the enumerator was unable to reach the business after these three attempts, then that business was marked as a refusal.

Fieldwork was conducted soon after the country opened following extended COVID-19 lockdowns<sup>xlvii</sup>. Because of the recency of lifted restrictions, respondents were given the opportunity to complete the survey by phone. Of the total 999 completed interviews, 110 respondents chose to complete the survey by phone. A mode-selection effect does not apply in this case since the selection process for all eligible businesses was based on the CAPI sample design described above.<sup>xlviii</sup>

Survey participation was completely optional, dependent on explicit respondent consent, and non-compensated. Enumerators administered the screening and survey using pre-programmed tablets for data entry, ensuring consistency in the questionnaire administration.

<sup>xlvii</sup> While there were variations by province, much of Vietnam was under strict lockdowns until September 30, 2021. Fieldwork began October 9, 2021.

<sup>xlviii</sup> While respondent-selected mode does not impact the CAPI sample selection design, there could be unobservable mode effects that remain.

### *Sampling Statistics*

The sampling statistics are as follows:

Interview Response and Refusal Rates in Vietnam<sup>xlix</sup>

	CAPI
Contacts	1077
Completes	999
Refusals	63
Response rate <sup>i</sup>	93%
Refusal rate <sup>ii</sup>	6%

### *Locations for Research in Vietnam*

The target interview count and actual interview count by province are detailed below:

Target and Actual Interview Counts by Province

PROVINCES	TARGET	ACTUAL
Can Tho	80	80
Da Nang	75	75
Dong Nai	160	160
Hanoi	225	224
Ho Chi Minh	300	300
Khanh Hoa	80	80
Thanh Hoa	80	80
<b>Total</b>	<b>1000</b>	<b>999</b>

<sup>xlix</sup> Showing only the response and refusal rates presents a limited set of the outcomes possible. The full set of dispositions includes outcomes such as ineligible respondent (e.g., not owner or top-manager), ineligible company or suspended interview. The response rate and refusal rate calculations are not inclusive of the complete set of outcomes and therefore do not add to 100%.

<sup>i</sup> Calculated using [AAPOR Response Rate 3 methodology](#).

<sup>ii</sup> Calculated by dividing the number of refusals by the number of contacts.

### **Sample Weighting**

Based on the fieldwork dispositions, Ipsos applied two weights to the raw survey data to account for provincial distribution as well as the variation in non-response by urban and rural designations and by gender. Specifically:

- **Design weight:** A weight by all seven provinces was employed in Vietnam to adjust the sample to be proportionate to the number of persons within each province, as determined by the 2019 Population Census.<sup>21</sup> As no reliable census of businesses existed, general population counts were more likely to mirror the total (formal and informal) business population.
- **Non-response weight:** Weights were applied by urbanicity (urban / rural) and gender of respondent within strata based on response rates. For example, if an enumerator approached a business in province X with a female respondent, and they were ultimately marked as a refusal, the enumerator would still keep track of the fact that a female respondent was approached. During weighting, province X would be weighted to reflect the number of female and male respondents who were approached. Without these weights, the survey results would be biased by propensity to respond based on respondent gender and urbanicity.

These two weights were combined to create one overall final weight applied to all data points. The design effect for Vietnam is 1.1.<sup>iii</sup>

Ipsos carefully considered a broad spectrum of weights to be applied. Three in particular – business-size, cross-national, and mode – were not applied. A business-size weight was not applied because no reliable data by company size existed in Vietnam. A cross-national weight,

to enable comparison across countries in this series of reports, was not applied because there were no reliable data sources that could account for sampling differences across all countries in fieldwork timing and survey modes. Finally, as noted previously, initial respondent selection was done all via CAPI (regardless of final interview mode), so a mode weight was not necessary.

Due to the limitations of the weighting strategy discussed here, the sample should not be considered to be wholly representative of formal and informal businesses in Vietnam.

### **COVID-19 Protocols**

Extensive COVID-19 protocols were observed during CAPI interviews: only 2-3 people were allowed at each interview location, two meters apart. Enumerators wore masks and gloves during all interviews – which they removed, cleaned, and stored or disposed of after every six hours of wear – and sanitized their hands before and after each interview.

### **Limitations to the Survey Design**

While every effort was made to ensure representativeness of the data, there were several limitations to the survey design. The sampling plan covered only seven provinces out of the 63 in the country taking into account geographic and access limitations (i.e., the majority of the country's landmass is characterized by tropical forests and mountain regions). Due to the limited geographic scope of the survey, amongst other considerations, findings and results reported here should not be considered representative of Vietnam's MSME sector.

<sup>iii</sup>

The design effect is the ratio of an actual variance of an estimator that is based on a sample from some sampling design, to the variance of an alternative estimator that would be calculated (hypothetically) using a sample from a simple random sample (SRS) of the same number of elements. A design effect less than one indicates that the sample design has a smaller variance (is more efficient) than the hypothetical SRS design, whereas a design effect greater than one indicates that the sample design has a greater variance (is less efficient). Kish, Leslie (1965). "Survey Sampling". New York: John Wiley & Sons, Inc. ISBN 0-471-10949-5."

Another limitation for CAPI is the use of random walk sampling methods in urban and non-urban areas which could mean that MSMEs associated with certain characteristics might have a higher likelihood of agreeing to participate in the survey. For example, a grocery store owner would be more apt to agree to participate in a survey during slow business hours than an MSME owner engaged in physical labor. This may lead to overcoverage or undercoverage of certain business sector types. Another key coverage limitation relates to the exclusion of any household-based businesses without signage or storefronts and the geographic coverage; in-person interviews were conducted with businesses with a storefront, stand or stall and/or signage. The random walk methodology could also limit the inclusion of multiple businesses at the same location. For example, for multi-story buildings enumerators were instructed to treat the building as part of the random walk and choose one MSME (or multiple depending on the interval and building size) from the location for screening and consent. However, if multiple businesses were operating from one space or location in the building, only one would be eligible. This limitation would also apply to multiple businesses sharing a stand or booth as only one of the business owners or top-level managers would be screened for qualification and consent.

There were also limitations resulting from COVID-19 specific challenges. These included the impact of social distancing-related restrictions on response and completion rates and the impact of COVID-19 on respondent business outcomes and behavior. Although this study accounts for unit non-response weighting on certain characteristics, there is no way to weight on unobservables such as individual propensity to participate in a survey during a pandemic.

An additional key limitation related to weighting was the lack of post-stratification weights, particularly for national-level calculations and estimates. Without complete data on formal and informal MSMEs for benchmarking, it was not possible to implement post-survey adjustments to reflect the true composition of Vietnam's MSME structure. Although the sampling process captured variations in Vietnam's MSME structure regarding size, industry, and individual characteristics of business owners, any national-level figures were not adjusted or corrected to reflect other business population characteristics, such as industry or owner gender.

Finally, the use of multistage cluster sampling represents a limitation on the precision of estimates. This may have led to larger standard errors for estimation at a detriment to the overall precision of results.

## NOTES ON ANALYSIS

The primary methods of analysis used in this report are ratio estimations and Rao & Scott's Chi-squared test of Independence to determine statistical significance. All questions required a response to be entered, enabling the interviewer to continue to the next question. All questions included a "don't know" option code and a "refused" option code. These were considered valid responses and were included in the base for a question. The percentage of respondents that refused to answer a question for which they were eligible ranged from 0-1%, depending on the question.

Reported survey results were calculated with a base of all respondents (the total sample), or on all surveyed online MSMEs or surveyed offline MSMEs. The base is specified for each data point. The sample sizes of online and offline MSMEs are both smaller than the base of all surveyed MSMEs. Certain data points may also reflect the results for a subgroup of respondents, such as women-owned businesses or those within a region.

Footnotes are included throughout the report to make note of the analyses conducted, including the corresponding statistical tests and associated outputs. For all tests of statistical significance, the results should be interpreted as levels of association and not causality. Our main criterion for determining statistical significance is the 95% confidence level. For each disaggregate percentage estimation highlighted in the report, the associated p-value is reported as a footnote.

Additionally, findings and results reported here should not be considered representative of Vietnam's MSME sector due to the limited geographic scope of the survey, among other considerations.

## APPENDIX II: SUMMARY OF MSME AND RESPONDENT CHARACTERISTICS

CATEGORICAL VARIABLES		UNWEIGHTED N	UNWEIGHTED %	WEIGHTED %	UNWEIGHTED STDERROR	WEIGHTED STDERROR
Online Status	Offline	272	27.2	26.9	1.41	1.43
	Online	727	72.8	73.1	1.41	1.43
Gender Ownership	Men-owned	283	28.3	27.9	1.43	1.49
	Women-owned	716	71.7	72.1	1.43	1.49
Urbanicity	Rural	100	10	8.1	0.95	0.81
	Suburban	15	1.5	1.7	0.38	0.44
	Urban	883	88.4	90.1	1.01	0.93
	Don't know	1	0.1	0.1	0.1	0.11
Business Size	Micro	399	39.9	42.4	1.55	1.66
	Medium	150	15	16	1.13	1.23
	Small	450	45	41.6	1.57	1.63
Business Vertical	Agriculture and food production	91	9.1	8.2	0.91	0.87
	Hospitality	375	37.5	37	1.53	1.61
	Manufacturing and industry	210	21	21.1	1.29	1.37
	Professional services	111	11.1	12.9	0.99	1.17
	Retail & eCommerce	204	20.4	20	1.28	1.32
	Other	8	0.8	0.7	0.28	0.26
Region	Can Tho	80	8	4.5	0.86	0.09
	Da Nang	75	7.5	4.1	0.83	0.08
	Dong Nai	160	16	11.3	1.16	0.1
	Hanoi	224	22.4	29.4	1.32	0.15
	Ho Chi Minh	300	30	32.8	1.45	0.1
	Khanh Hoa	80	8	4.5	0.86	0.08
	Thanh Hoa	80	8	13.3	0.86	0.15
Owner Education	No formal education or less than Primary education	2	0.2	0.1	0.14	0.1
	Primary education	31	3.1	2.1	0.55	0.39
	Secondary education	585	58.6	59.9	1.56	1.63
	University education or higher (degree)	272	27.2	26.5	1.41	1.45
	Vocational or technical education or training	108	10.8	11.3	0.98	1.07
	Don't know	1	0.1	0.1	0.1	0.06

CATEGORICAL VARIABLES		UNWEIGHTED N	UNWEIGHTED %	WEIGHTED %	UNWEIGHTED STDERROR	WEIGHTED STDERROR
Owner Age	18-24	46	4.6	4	0.66	0.62
	25-34	404	40.4	38.8	1.55	1.62
	35-44	363	36.3	38	1.52	1.64
	45-54	145	14.5	15.2	1.12	1.2
	55-64	39	3.9	3.8	0.61	0.62
	65 or older	2	0.2	0.3	0.14	0.19
Respondent Education	No formal education or less than Primary education	2	0.2	0.1	0.14	0.1
	Primary education	31	3.1	2.1	0.55	0.39
	Secondary education	584	58.5	59.7	1.56	1.63
	University education or higher (degree)	272	27.2	26.6	1.41	1.45
	Vocational or technical education or training	110	11	11.5	0.99	1.08
Banking Status	Banked	617	61.8	64.4	1.54	1.56
	Unbanked	380	38	35.4	1.54	1.55
	Don't know	2	0.2	0.2	0.14	0.17
Respondent Role	Owner	962	96.3	96.1	0.6	0.65
	Top-level manager, not an owner	37	3.7	3.9	0.6	0.65
Client Type	Both businesses and individuals	154	15.4	12.7	1.14	1.03
	Primarily Individuals such as consumers or customers	829	83	85.7	1.19	1.09
	Primarily businesses	16	1.6	1.6	0.4	0.41

NUMERICAL VARIABLES	UNWEIGHTED N	UNWEIGHTED MEAN	WEIGHTED MEAN	UNWEIGHTED STANDARD DEVIATION	WEIGHTED STANDARD DEVIATION
Respondent Age <sup>1</sup>	999	36.3	36.6	8.5	8.4
Business Age <sup>2</sup>	999	5.9	6	5.3	5.3
Number of Owners <sup>3</sup>	999	1.2	1.2	0.5	0.5

<sup>1</sup> Other possible response options: Don't Know (0), Refused (0)<sup>2</sup> Businesses in operation less than one year (80) coded as 0. Other possible response options: Don't Know (0), Refused (0)<sup>3</sup> Other possible response options: Don't Know (0), Refused (0)

# ENDNOTES

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