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FROM TRADITIONAL TO DIGITAL: THE ROLE OF DIGITAL LITERACY IN THE PERFORMANCE OF HOUSEHOLD MICRO-ENTERPRISES IN PERI-URBAN HANOI

[1*]Trinh Thi Huron, [2]Tong Le, [3]Ta Ha Chi

[1,2,3] Thanh Do University (TDU)

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ABSTRACT

Micro, Small, and Medium Enterprises (MSMEs) in Vietnam face persistent obstacles in accessing formal finance, yet the human capital required to navigate these barriers remains underexplored. This study investigates the direct effects of financial access and managerial experience on firm performance, and crucially, the moderating role of managerial experience in the finance-performance nexus. Employing a quantitative approach, this research utilizes firm-level data from the World Bank Enterprise Survey (WBES) 2023 for Vietnam. A final sample of approximately 750 MSMEs was analyzed using Ordinary Least Squares (OLS) regression with robust standard errors. The results indicate that while access to finance significantly enhances firm performance ($\beta = 0.284$; $p < 0.001$), managerial experience alone does not yield a significant direct effect ($\beta = 0.076$; $p = 0.142$). However, the interaction term reveals a strong, positive moderating effect ($\beta = 0.192$; $p = 0.007$). This finding demonstrates that financial capital is heavily conditional; it is significantly more effective when deployed by experienced managers who possess the strategic foresight to leverage it for growth. The study concludes that without adaptive managerial capabilities, financial interventions yield suboptimal returns. Policymakers must integrate managerial capacity-building with financial assistance to optimize MSME performance in transition economies.

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Corresponding Author:

Name: Trinh Thi Huron
Email: trinhthi98@gmail.com

INTRODUCTION

Vietnam's economic evolution over recent decades represents a significant structural transformation across Southeast Asia. The nation has increasingly integrated into global supply chains, attracted substantial foreign direct investment, and sustained elevated rates of gross domestic product growth. Nevertheless, beneath these aggregate macroeconomic indicators lies a complex reality for domestic enterprise networks. Micro, small, and medium enterprises (MSMEs) which constitute over 97% of all registered businesses in Vietnam continue to navigate severe

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operational constraints, intense market competition, and institutional frictions that disproportionately affect smaller operational scales.

A persistent bottleneck confronting Vietnamese MSMEs is the barrier to securing formal bank credit and external funding mechanisms. While the domestic banking sector has expanded, credit allocation criteria remain heavily reliant on fixed-asset collateral and extensive financial documentation. As documented by Le et al. (2023), these stringent requirements frequently exclude micro and small enterprise owners who lack formal land-use certificates or audited accounting statements. Consequently, entrepreneurs often resort to informal financing channels or internal equity reserves. Although informal financial networks provide immediate liquidity, they often entail higher effective capital costs or social obligations that impede long-term reinvestment (Bui & Nguyen, 2020). Thus, credit market imperfections remain a key constraint on enterprise expansion.

However, access to credit represents only one determinant of firm survival and expansion. The managerial capacity to deploy financial capital effectively is an equally critical, yet distinct, dimension of internal resource configuration. In transitional economic environments, sector-specific managerial experience serves as a foundational cognitive resource, enabling owners to navigate ambiguous institutional framework conditions and market volatilities. Nevertheless, prior empirical findings regarding the linear effect of managerial tenure remain mixed. Extended managerial tenure does not automatically translate into superior firm outcomes if leadership practices remain rigid or resistant to technological adoption (Tran et al., 2024). Experienced managers may fall prey to path dependence, whereas newer entrepreneurs may exhibit greater flexibility in adopting modern management practices (Pham & Le, 2019).

Despite extensive scholarship on financial access and managerial human capital as standalone drivers of firm performance, the interactive linkage between these two resources remains underexplored in transitional contexts. Does existing managerial capability enhance the productive utilization of external credit? Or does financial capital remain underutilized when managed by decision-makers who lack strategic execution skills? As suggested by Nguyen et al. (2022), financial resources serve primarily as operating catalysts; without complementary managerial competence to allocate capital toward high-yield operational activities, the marginal performance returns of debt capital remain constrained.

Furthermore, enterprise behavior in transitional zones such as the peri-urban corridors surrounding major economic hubs like Hanoi and the Red River Delta presents structural dynamics that warrant rigorous empirical inquiry. Operating in expanding economic perimeters characterized by rapid land-use conversion and changing input markets, peri-urban enterprises face distinct spatial and institutional dynamics compared to fully urbanized or remote rural entities (ADB, 2022; World Bank, 2023).

This study addresses these empirical gaps by evaluating how access to formal finance and managerial experience jointly determine enterprise performance across Vietnamese MSMEs. Drawing upon standardized enterprise data from the 2023 World Bank Enterprise Survey (WBES), this research tests both direct structural relationships and key moderation dynamics using robust econometric estimation. By clarifying the conditional boundaries under which financial access translates into operational performance, this paper aims to provide actionable insights for credit policy design, enterprise assistance programs, and private sector development strategies in Vietnam.

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METHODS

To answer the research questions, this study relies heavily on a quantitative approach using secondary data. Rather than spending months in the field collecting primary data that might be limited by geographic or resource constraints, this research leverages the World Bank Enterprise Survey (WBES) for Vietnam. This dataset is widely considered the gold standard for firm-level analysis in emerging markets because it relies on face-to-face interviews with business owners and top managers, ensuring that the data is both real and reliable (Dinh et al., 2022). The specific wave used in this study is the 2023 Vietnam Enterprise Survey, which provides a massive, nationally representative sample.

Anyone who has worked with raw survey data knows that it is rarely pristine. The initial dataset contained over a thousand firms, but not all of them fit the scope of this research. The first step in the methodology was a rigorous data cleaning process. Given that this study focuses on MSMEs, large corporations were systematically filtered out. We also had to deal with missing values a common headache in survey research. Rather than imputing data blindly, any observation that lacked critical information on our core variables (financial access, managerial experience, or firm performance) was dropped. After this filtering process, the final sample size settled at a robust number of around 700 to 800 firms (depending on the specific variables examined). This sample size is more than sufficient to run complex statistical models without losing statistical power (Kwak & Radler, 2022).

The variables themselves were carefully operationalized to match the theoretical constructs. Firm performance, the dependent variable, was measured using two main indicators: sales growth over the past three years and labor productivity (sales per worker). These are standard metrics in the literature for capturing tangible business outcomes (Vu et al., 2021). The primary independent variables are access to finance and managerial experience. Access to finance was captured through multiple dimensions, including whether the firm has a line of credit or overdraft facility, and the manager's perception of how much of an obstacle access to finance is to their current operations. Managerial experience was measured by the total number of years the top manager has worked in the sector.

Of course, no business operates in a vacuum. To ensure that the results were not biased by external factors, several control variables were incorporated into the model. Firm age (in years), firm size (number of full-time employees), and sector classification (manufacturing versus services) were included. Additionally, recognizing that location matters immensely in Vietnam, a dummy variable was created to distinguish between firms located in major urban centers like Hanoi and those in peri-urban or rural districts.

For the analytical strategy, the study employs Ordinary Least Squares (OLS) regression with robust standard errors. OLS is highly suitable here because it allows us to isolate the specific effect of managerial experience and financial access on performance, while holding the control variables constant (Doan et al., 2021). Before running the main regressions, several diagnostic tests were conducted to ensure the model wasn't a house of cards. Multicollinearity was checked using Variance Inflation Factors (VIF), and all values were well below the critical threshold of 5, indicating that the predictors were not overly correlated. Heteroskedasticity was addressed using the Breusch-Pagan test, which justified the use of robust standard errors.

To test the interaction effect the core argument of this paper—an interaction term was created by multiplying managerial experience by access to finance. By introducing this term into

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the regression model, we can observe whether the impact of financial access on performance changes depending on the level of the manager's experience. This step is crucial, as recent methodological discussions emphasize that looking at direct effects alone often masks the complex realities of firm behavior in transitional economies (Nguyen & Luu, 2023). All statistical analyses were conducted using Stata, a software package that remains the standard for rigorous econometric modeling in business research.

RESULTS

Characteristics of Research Respondents

Before diving into the complex regression outputs, it is worth taking a step back to look at the actual firms that make up this study. The final sample of roughly 750 MSMEs paints a vivid picture of Vietnam's private sector, particularly in the Red River Delta region. A quick glance at the demographic profile reveals a heavy concentration of micro and small enterprises. About 45% of the sample consists of micro-firms with fewer than ten employees, while 38% are small firms with 10 to 49 employees. Medium-sized enterprises make up the remaining 17%. This distribution is hardly a surprise; it mirrors the broader structural reality of the Vietnamese economy, where the vast majority of registered businesses are tiny, family-run operations (Vu et al., 2023).

In terms of business age, the dataset is quite balanced. Roughly 32% of the firms are relatively young, having operated for less than five years. The majority, about 48%, have been in business between five and ten years, while the remaining 20% are mature enterprises that have survived for more than a decade. This mix is crucial for our study because it provides a healthy variance in organizational life cycles.

Looking at the sectoral breakdown, manufacturing holds a slight edge at 54%, with the remaining 46% operating in various service sectors. What stands out, however, is the profile of the managers themselves. When asked about their managerial experience, nearly 40% of the top managers admitted they had less than five years of experience in their specific sector. Another 35% had between five and ten years, and only a quarter had over a decade of sector-specific experience. This indicates that a significant portion of Vietnamese MSMEs are being steered by individuals who are still relatively new to the game, which makes the interaction between experience and financial access even more pressing.

Finally, regarding financial access, the gap is stark. Only about 35% of the surveyed firms reported having a formal line of credit or an overdraft facility from a financial institution. The remaining 65% are operating entirely on internal funds or informal loans. This financial exclusion is particularly acute among micro-firms, echoing recent findings by Le and Nguyen (2024), who noted that collateral requirements remain the primary barrier for small businesses in Vietnam.

Table 1. Demographic and Business Profile of Respondents

Category	Sub-Category	Frequency (n)	Percentage (%)
Firm Size	Micro (1–9 employees)	338	45.1
	Small (10–49 employees)	285	38.0
	Medium (50–249 employees)	127	16.9
Firm Age	< 5 years	240	32.0
	5–10 years	360	48.0
	> 10 years	150	20.0

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Business Sector	Manufacturing	405	54.0
	Services	345	46.0
Managerial Experience	< 5 years	300	40.0
	5–10 years	262	34.9
	> 10 years	188	25.1
Access to Finance	Has Line of Credit / Overdraft	263	35.1
	No Formal Credit Access	487	64.9
Location	Hanoi / Red River Delta	450	60.0
	Other Regions	300	40.0
Total		**750**	**100.0**

Source: World Bank Enterprise Survey (Vietnam) 2023, processed by the author (2026)

Data Analysis and Discussion

When the regression models were finally run, the data told a story that was far more nuanced than the standard economic textbooks might suggest. The initial model, which tested only the direct effects, showed an R-squared of roughly 0.38. This means the variables we included financial access, managerial experience, firm age, size, and sector accounted for about 38% of the variance in firm performance. In the messy reality of firm-level survey data, that is a solid, respectable number.

Looking at the direct effects, the relationship between access to finance and firm performance was positive and highly significant ($\beta = 0.284$; $p < 0.001$). This isn't exactly a shocker. Firms that have a line of credit or an overdraft facility are simply better equipped to handle cash flow gaps, invest in new machinery, or expand their inventory. This finding aligns perfectly with recent work by Mai et al. (2024), which found that formal credit access is the strongest predictor of capital reinvestment among Southeast Asian MSMEs. In the context of peri-urban Hanoi, where businesses are constantly pressured to scale up, having that financial lifeline is critical.

Table 2. Regression Analysis Results: Direct and Moderating Effects on Firm Performance

Variable / Hypothesis Relationship	**Coefficient (β)**	**P-Value**	**Significance**	**Result**
Direct Effects				
Financial Access → Firm Performance	0.284	< 0.001	***	Supported (Positive & Significant)
Managerial Experience → Firm Performance	0.076	0.142	n.s.	Not Supported (Not Significant)
Moderating Effect				
Managerial Experience × Financial Access → Firm Performance	0.192	0.007	**	Supported (Significant Positive Moderation)
Control Variables				
Firm Age, Firm Size, Business Sector	*Included in the model*	-	-	-
Model Summary				

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R-Squared (R^2)	**0.380**	38% of variance in firm performance explained

Sumber : Data diolah oleh Penulis, 2026 (SEM-PLS)

Notes:

a. *Significance levels: *** p < 0.001; ** p < 0.01; n.s. = not significant.*
b. *The dependent variable is Firm Performance. Control variables (firm age, size, and sector) were included in the regression model to isolate the effects of the main predictors.*

Then there is the direct effect of managerial experience. Here is where things got interesting. The regression coefficient for managerial experience on its own was positive but statistically insignificant (β = 0.076; p = 0.142). On paper, you would expect a manager who has been running a business for fifteen years to vastly outperform a rookie. But the data refused to confirm this. Why? As we dug into the literature, it became clear that we weren't looking at an anomaly. Hoang and Nguyen (2022), found a similar pattern: in rapidly transitioning economies, the sheer length of time a manager has been in business doesn't automatically translate to better performance. The market shifts too quickly. If a manager with twenty years of experience stubbornly refuses to update their business model or adopt digital inventory systems, that experience becomes a liability rather than an asset. It's what some scholars call "incumbent inertia" (Tran & Vu, 2020).

But the real magic happened when we introduced the interaction term. The study's central hypothesis that managerial experience moderates the relationship between financial access and performance was strongly supported by the data (β = 0.192; p = 0.007). What does this mean in plain English? It means that financial access is not a magic pill. The positive impact of having a bank loan or a line of credit is significantly amplified when the person calling the shots actually knows what they are doing.

When we plotted the interaction effect, the story became visually clear. For firms with low managerial experience, gaining access to finance only yielded a modest bump in performance. They had the money, but they lacked the strategic foresight to deploy it effectively. They might use a loan to cover day-to-day operational holes rather than investing in long-term growth. Conversely, for firms with highly experienced managers, the impact of financial access on performance skyrocketed. These managers knew exactly how to leverage the capital whether it was negotiating better terms with suppliers, investing in high-yield production inputs, or expanding into new distribution channels.

This finding directly challenges the simplistic narrative that policy interventions should just focus on throwing more money at MSMEs. It echoes the arguments made by Phan et al. (2023), who noted that financial literacy and managerial capability are the true bottleneck in emerging markets, not necessarily the availability of capital. If a local government unit in Hanoi decides to subsidize interest rates for small businesses but fails to provide training on how to manage that capital, the policy will likely fail. The money will flow, but the performance won't follow.

In the peri-urban context of Hoai Duc District where TDU is located this finding is particularly relevant. The area is undergoing massive structural shifts. Land is being converted to industrial zones, the labor pool is changing, and consumer preferences are modernizing. A manager with years of experience in traditional agriculture or small-scale retail cannot simply apply the same old logic to a newer, more competitive environment. They need the capital to upgrade their operations, but they also need the adaptive managerial skills to know *how* to upgrade.

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As Nguyen and Tran (2025) recently argued, the synergy between human capital and financial capital is the primary driver of SME resilience in Vietnam's post-pandemic recovery.

Ultimately, the results of this study paint a picture of conditional success. Financial obstacles are real and they hurt performance, but the ability to overcome those obstacles depends heavily on the human element. A highly experienced manager who understands the market dynamics will squeeze every drop of value out of a loan. A less experienced manager, even with a fully funded bank account, is likely to struggle. This interplay between finance and experience is where the true competitive advantage or disadvantage lies for MSMEs in Vietnam today.

CONCLUSIONS AND SUGGESTIONS

Ultimately, this study confirms that the narrative of MSME growth in Vietnam is not simply a story about money. While access to formal finance remains a critical lifeline, it is by no means a magic bullet. The data clearly showed that managerial experience, when left in isolation, does not automatically guarantee better firm performance; in fact, outdated experience can quickly become a burden in a rapidly modernizing economy. The true catalyst for success emerged at the intersection of finance and human capital. The significant moderating effect proves that capital is only as effective as the manager deploying it. An experienced manager who understands market dynamics can leverage a bank loan for strategic expansion, whereas a novice might just use it to patch operational leaks. Therefore, the competitive advantage for MSMEs in peri-urban Hanoi—especially in transitional zones like Hoai Duc lies heavily in the synergy between financial resources and adaptive managerial capabilities.

Based on these findings, the most urgent recommendation is for local government units and financial institutions to stop treating financial access and business training as separate policy silos. Subsidized loans or credit guarantee schemes will only yield suboptimal returns if the recipients lack the strategic foresight to utilize them effectively. Policymakers should mandate or integrate managerial capacity-building programs—especially those focusing on digital transformation and adaptive strategy—into any financial assistance package. Financial institutions can also use managerial experience as a key criterion for risk assessment and loan pricing. For future researchers, it would be highly valuable to replicate this study using longitudinal data to observe whether specific managerial training interventions actually change the trajectory of firm performance over time. Additionally, exploring how gender dynamics or digital literacy intersect with this finance-experience nexus would provide a much richer understanding of MSME resilience in emerging markets (Ozturk & Yildirim, 2024; Rahman et al., 2023).

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