

The Role of IT in Supporting Vietnam Youth Entrepreneurship

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ABSTRACT

This paper aimed to analyse the role of IT in supporting entrepreneurs in Vietnam. Our findings show that youth entrepreneurship in Vietnam face a number of hurdles in accessing IT services. Although a number of them have shown an interest in integrating IT into their business operations, however, most of them do not have enough resources to fully exploit IT opportunities. Other problems mentioned to confront youth entrepreneurship in their endeavour to access and use IT in their businesses is the lack of knowledge and skills on how to use computer, language and lack of time.

KEYWORDS: Youth entrepreneurship, Information Technology, Vietnam

How to cite this paper: Dr. Le Nguyen Doan Khoi "The Role of IT in Supporting Vietnam Youth Entrepreneurship" Published in International Journal of Trend in Scientific Research and Development (ijtsrd), ISSN: 2456-6470, Volume-4 | Issue-4, June 2020, pp.1343-1346, URL: www.ijtsrd.com/papers/ijtsrd31503.pdf



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1. INTRODUCTION

The role of new Information Technology (IT) in driving the global economy is widely recognised. Information Technology plays an important part in accelerating growth, eradicating poverty and promoting sustainable development in developing and transition economy countries and in facilitating their beneficial integration into the global economy.

The Vietnam government recognised the importance of small businesses and their contribution to economic growth, social cohesion, and employment, regional and local development. As globalisation and technological change reduce the importance of economies of scale in many activities, the potential contribution of smaller firms is enhanced. However, many of the traditional problems facing small businesses - lack of financing, difficulties in exploiting technology, constrained managerial capabilities, low productivity, and regulatory burdens - become more acute in a globalization environment.

Policymakers around the world have initiated a variety of policies to foster entrepreneurship in their countries, Vietnam have no exceptional. Encouraging entrepreneurship is also high on the agenda of governments in APEC member countries, as well as in emerging and developing economies. This is because entrepreneurs are being viewed as "the catalysts of growth, marrying capital, innovation and skills". The imperative role of entrepreneurship stands out at the present time of innovative change, and a means to fostering a climate to help the dynamism in firm creation. This is particularly in emerging and developing economies, where

conditions for entrepreneurship are generally still insufficient.

The use of Information Technology has made it possible to accumulate and access different information and data sources. Therefore, access to information technology is important for any development process. As the access to and use of IT is directly linked to social and economic development, it is therefore important to ensure that all groups of the population, including youth entrepreneurship understand the significance of these technologies and use them.

It is believed that Information technology facilitate access to markets, commercial information, and new processing technologies and knowledge (UNCTAD, 2002). It is assumed that, information technology could work well for youth entrepreneurs (who in many developing countries account for majority of owners of small, medium and micro enterprises), as it allows them to save time and costs while trying to reach out existing and new customers.

2. THEORETICAL BACKGROUND

Entrepreneurship Concept

Entrepreneurship, as originally conceived by Schumpeter (1934), is crucial to economic development. Fula-Lai Yu (1997) argued that, in order to explain economic development in a country, it requires a dynamic theory, which centres on some human agency, i.e. theory of entrepreneurship.

Throughout the theoretical history of entrepreneurship, scholars from multiple disciplines in the social sciences have struggled with a diverse set of interpretations and definitions to conceptualise this concept of entrepreneurship. But, presently there is no single definition of entrepreneurship that is accepted by all economists or that is applicable in every economy.

According to Schumpeter, an entrepreneur is an economic agent who performs the service of innovating, of introducing changes that radically change the framework of the economic system. Entrepreneurs are people who innovate; this includes the introduction of a new product, introduction of new method of production, the opening of new market, the utilization of some new source of supply for raw material or intermediate good and the carrying out the new organisation of any industry (Schumpeter 1934). Schumpeter regarded an entrepreneur as the prime mover in economic development, and his/her function is to innovate by doing new things or things that are already being done, in new combinations (1934). He continued saying that an entrepreneur is a person who wants to educate consumers and teach them to want new or different things.

According to Greve and Salaff (2003) an entrepreneur is the one who owns, launches, manages, and assumes the risks of an economic venture.

Basing on the definition of entrepreneurship by Schumpeter, very few new businesses have the potential to integrate Schumpeterian theory of creation-destruction, especially in developing countries. Bygrave (1996) came with a broader definition of entrepreneurship than Schumpeter's; this definition includes everyone who starts a new business. He defined an entrepreneur as the person, who perceives an opportunity and creates an organization to pursue it, and entrepreneurship as the process, which involves all functions, activities, and actions associated with perceiving opportunities and creating organisations to pursue them.

Entrepreneurship and Economic Development

Over the last decade, the importance of the entrepreneur as the driver of economic growth has received increasing attention. Several governments throughout the world have launched various initiatives designed to promote entrepreneurship and economic growth (Reynolds et al. 1999). The importance of the entrepreneurship in economic development has also been realized by the key international aid organizations. The World Bank, the United States Agency for International Development (USAID) and the International Monetary Fund (IMF) have all commissioned studies and undertaken initiatives to understand and promote entrepreneurship. In 1998, the OECD (Organisation for Economic Co-operation and Development) launched a program known as, *Fostering Entrepreneurship*, in order to better understand the role of entrepreneurs in the economic development at large.

According to Leibenstein (1995) there are two simultaneous steps in the process of economic development: economic growth and market transformation. In order for a country to increase its per capita income, it must have a "shift from less productive to more productive techniques per worker". This shift is the process of market transformation, and it can be

manifested in the creation of new goods, new skills, and new markets. IN this respect, entrepreneurship is the driving force behind both growth and transformation. Without entrepreneurs there would be no new innovation or creative imitation in the marketplace; hence, the transformation to new production methods and goods in the country would not take place. As entrepreneurs transform the market, they not only provide new goods and services to the domestic market, but also provide a new source of employment to the economy (Praag, 1995). Therefore, entrepreneurship is a necessary ingredient in the process of economic development; it both serves as the catalyst for market transformation and provides new opportunities for economic growth, employment, and increased per capita income.

Kirzner (1973) recognized also the role of entrepreneurship in economic development. He argues that without entrepreneurship, that is, without alertness to the new possibility, the long-term benefits in a country might remain untapped. He continues arguing that, alertness to profit opportunities by entrepreneurs is the central principle of entrepreneurship. Entrepreneurs by responding to profit opportunities; they transform opportunities into wealth, which benefit the whole society.

Information Technology and Economic Development

Information Technology (IT) is defined as combinations of hardware, software and the means of communication that enable the exchange, processing and management of information and knowledge.

In this study, IT has been referred as the use of computer like Word processing, Internet, Accounting systems, E-mails services, and other programmes that will be mentioned by the respondents. The study focuses on how computers have contributed to business performance.

IT is playing an important role in economic and social development. At the macroeconomic level, information technology affects the patterns of production, investment and employment. At the microeconomic level, information technology changes business activities. Investments in IT that lead to higher factor productivity and increased competitiveness can have a direct impact on economic growth (Kraemer and Dedrick 1994).

It has also been recognised that Information Technology transforms processes and institutions, creating opportunities and linkages that previously either impossible or unimaginable.

3. RESEARCH METHODOLOGY

This study is exploratory research design (qualitative research), basing on the nature of the problem itself. Strauss and Corbin (1990) argue that qualitative research can be used to uncover and understand what lies behind any phenomenon about which little is yet known. Since the main objective of this study was to understand the role of IT in youth businesses in Vietnam, therefore the proper research design adopted for this research was exploratory.

In order to achieve objectives of this study, interview method was employed. The method was chosen because it allows empirical inquiry of the phenomenon studied. By

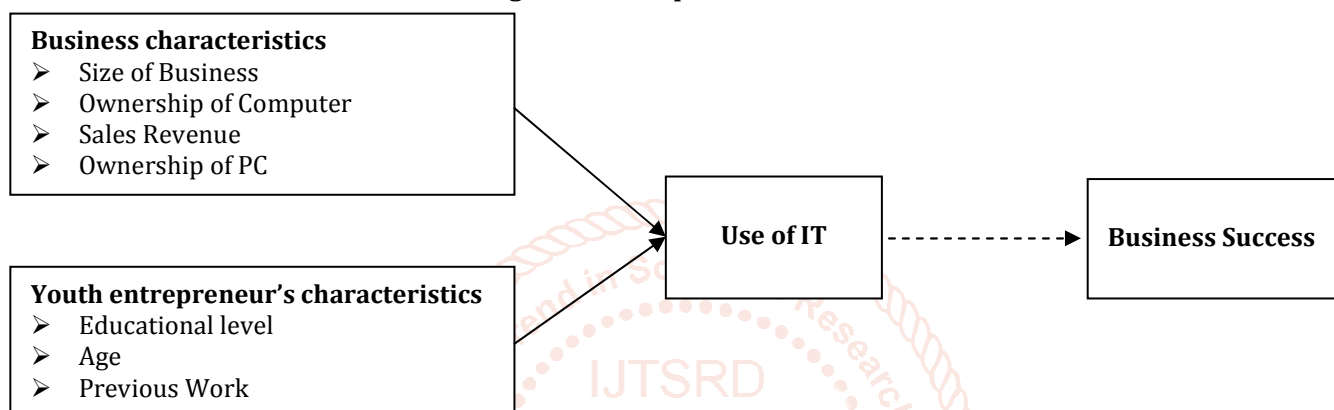
using this method, youth entrepreneurs were allowed to express themselves freely, the extent of using IT and its impact on their businesses. Other secondary sources were also visited, like Vietnam ICT policy documents.

The sample size for this study was 25 youth entrepreneurs, and data collection method used was mainly personal interview. Since personal interviews are very costly, therefore it was not easy to have a large sample. These women entrepreneurs were selected by using convenience-sampling method. This method was used because it was not easy to get the list of all women entrepreneurs through municipality council office.

However, the researcher is aware of the likelihood of the sample selected being unrepresentative of the women entrepreneurs to be quite high, since all population elements were not given equal chance of being selected.

For the purpose of statistical analysis, researcher has developed conceptual framework (see figure below) based on the studies on the use of information technology in small businesses. It is assumed that the use of IT is affected by both business characteristics and Owner’s characteristics. For the purpose of this study, the researcher has identified business characteristics as size of the business, ownership of personal computer, and financial position of business and owner’s characteristics as educational level, Age, and work experience).

Figure 1: Conceptual framework



4. Results and discussion

For the purpose of testing relationship between these variables, Pearson correlation coefficient has been used. The results are shown in the table below (the full correlation coefficients matrix is shown in the appendix: table 1):

Table 1: Correlation between the usage of IT and other variables (N = 25)

Independent Variables	Mean	Std deviation	Coefficient (r)
Size of Organisation	1.28	0.542	0.342
Sales revenue	3.38	0.957	0.432
Ownership of Computer	0.36	0.49	0.784*
Educational Level	2.48	0.77	0.313
Age	2.40	0.866	-0.236
Previous experience	0.64	0.49	0.369

* Correlation is significant at the 0.01 level (2-tailed).

From the table above, correlation coefficients between independent variables and dependent variable (usage of IT) are shown. The data shows, there is a positive relationship between and usage of IT and all other variables except one variable which is age. These correlation coefficients provide directional support for the predicted relationship in the hypotheses. Positive correlation coefficients show that independent variables exert a positive effect on dependent variable. Taking an example of sales revenue, this shows that, “the higher the sales of the business, the more likely the women entrepreneur to use IT services”. With a negative relationship, it shows that the variable has a negative effect on the dependent variable. In the table above, there is a negative relationship between the age of an entrepreneur with usage of IT services, i.e. the older the person the less likely to use IT services. Although correlation coefficients support predicted relationships, but there is no strong relationship between independent variables and dependent variable, except one variable (ownership of personal computer), which is significant.

Examinations of the correlation coefficients reveal that there exists an inter-correlation among independent variables (see appendix 1, table 1). There is a strong relationship between education level and previous experience (r = 0.808, p= 0.001), between the size of business (measured by number of employees) and sales revenue (r = 0.60, p =0.014), and between ownership of computer and education level (r = 0.406, p = 0.05). This inter-relationship effect can affect the combined effects on dependent variable.

The relationships between independent variables and dependent variable can also be tested by using multiple regression to find combined effects of these independent variables. But it is necessary to establish if multi-co linearity would cause any problem in the model. According to Hair et al (1979), variables to qualify for multicollinearity should have correlation

coefficient of 0.8 or above. Looking at the table of coefficient correlations, there is high correlation coefficient between previous experience and education level, otherwise collinearity among the independent variables is sufficiently low. Multi-collinearity effects, can also be checked by using variance inflation factors (VIF) for the independent variables. According to Tan and Teo (2000), if VIFs for independent variables are greater than ten, then multicollinearity could unduly influence the results of regression analysis. For all independent variables in this study, the VIFs are less than four, ruling out this possibility. The individual independent variables were regressed on the dependent variable (Use of IT); the results are shown in the table 2:

Table 2: Linear Multiple Regression Analysis Predicting use of IT

Independent Variable	B	t-value	p-value
(Constant)	1.974	2.644	0.027
Education level	-0.479	-1.463	0.177
Size of the business	0.052	0.128	0.901
Monthly sales	0.207	0.948	0.368
Previous Experience	0.513	1.246	0.244
Ownership of PC	1.569	4.862	0.001
Age (in years)	-0,190	-0.907	0.388

$R^2 = 0.818$; R^2 (adj) = 0. 696; Std error =0.533;

It is clear from the table 2 that the hypotheses proposed are supported. It was expected that the relationship between educational level and usage of IT to be positive related, but the data shows that there is a negative relationship; this may be due to slightly higher proportion of women who had higher education, but do not using IT services. The only variable, which is significant at $p=0.001$, is ownership of a computer. This shows that, women entrepreneurs who owns computer are more likely to use computer frequently than those who have to access IT services in the internet café.

The R^2 statistic (which is the percentage of total response variation explained by the independent variables) suggests that the regression model is valid and significant at $p < 0.006$. The model has R^2 of 81.8%, and R^2 (adj) = 0. 696. The R^2 of 81.8% shows that the variation in the Use of IT services is explained by the independent variables (Education level, Size of Business, Monthly sales, previous experience and age of an entrepreneur).

5. Conclusion

In this paper we found that youth entrepreneurs in Vietnam are also using this new technology to improve their businesses. Most of them are using email and Internet services. Email services are used to communicate mostly with business partners and friends. Internet services are also being used to search for product related information.

With regard to the effects of using IT; statistical testing of the data has shown that the relationship between the use of IT and business performance is insignificant. However, youth entrepreneurs covered under the study have acknowledged the fact by using IT services they have been able to increase their sales and the consequent profits. It was also acknowledged that business operations have been quit efficient as communication with business partners and customers has been conveniently and considerably very easily and efficient.

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