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THE USE OF SOCIAL NETWORKS IN THE FUNCTIONING OF HOUSEHOLD BUSINESSES

Various studies suggest that social networks are a key determinant of the performance of enterprises. Social network is defined here as a set of human contacts known to a business owner whom that owner would expect to support a given set of activities. Social networks play a central role in accessing inputs, in conveying information about technologies and market opportunities, in reducing uncertainty regarding reliance on partners or the productivity of prospective employees, and also in enhancing risk-sharing and informal credit arrangements (Hoang and Antoncic, 2003; Durlauf and Fafchamps, 2005; Ioannides and Loury, 2004). However, little is known in Vietnam about (1) the role played by social networks in the household business and informal sectors, and (2) about the specific effects of the different dimensions of social networks.

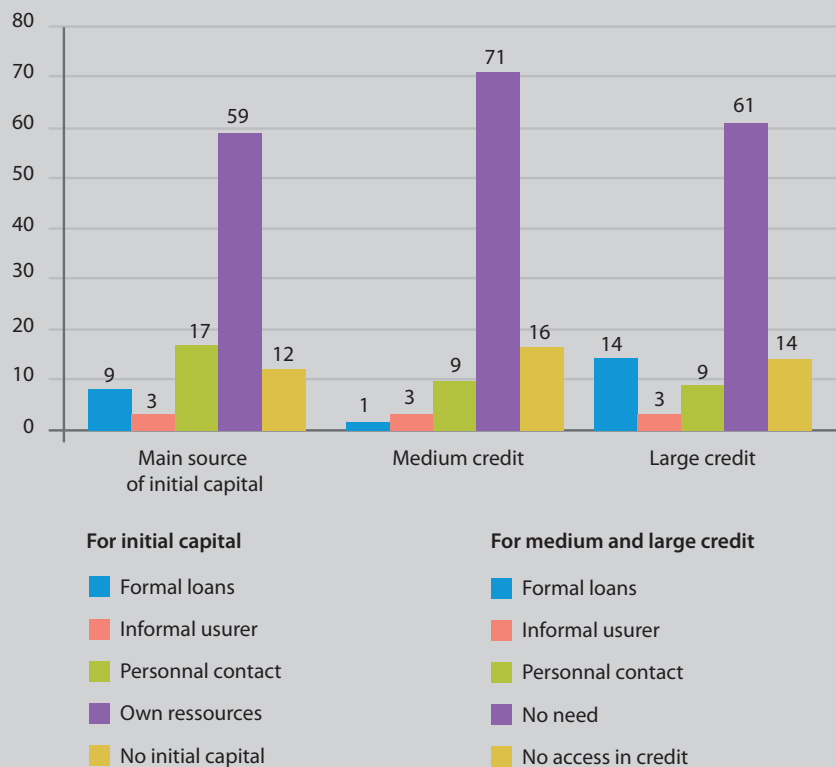
The first section of this chapter focuses on how household businesses use social networks to access informal and formal credit. It highlights the importance of personal relationships in accessing initial credit, informal loans, trade credit and even formal loans. In the second section, the association between social network and access to physical capital, including premises and equipment, is examined. This section shows that the strength of a tie with one's landlord is highly associated with the rental conditions and the quality of the premises. As labour is one of the main inputs of household businesses, the third section analyses to what extent a social network releases constraints that household businesses face when looking for trustworthy and productive workers. It concludes that the use of family connections is the main way to release these constraints, but this does not guarantee a worker's productivity as the recruitment of family members is associated with family obligations and a lack of intermediaries to recruit workers. Section 4 scrutinizes the role of social networks in accessing information. It shows that social networks are not an efficient channel of information for HBs. Information is collected through a social network mostly when a

business starts up and from close relatives. Section 5 examines whether HBs can rely on a social network as a way to be less vulnerable, and it stresses that a large tier of the HB sector is excluded from informal risk-sharing mechanisms. Section 6 concludes.

1. TO WHAT EXTENT ACCESS TO CREDIT IS SHAPED BY A SOCIAL NETWORK

Household businesses still self-finance most of their physical capital in Vietnam as shown in Figure 10.1. For more than half of the HBs, own resources are the main source of financial capital used to start the business activity (59 per cent). In addition, three quarters of the HBs have used their own resources during the past three years of activity as they have not received any large loans (a credit of more than five million VND) during that period, either because they do not need one (61 per cent) or because they cannot access such loans (14 per cent). While saving is the main way to finance HB activities, this section will demonstrate that the role of personal relationships or social network to access capital is far from being negligible. Subsection 1.1 shows that the use of informal loans obtained from personal contacts is comparable to formal loans in the financing of HBs. In addition, access to formal loans is associated with the content of social networks as illustrated in subsection 1.2. Finally, trade credit is another important source of financing for HBs, and it depends on the quality of the personal relationship between the owners of the HBs and their suppliers (subsection 1.3).

FIGURE 10.1.
SOURCE OF FINANCIAL CAPITAL AMONG HBS BY TYPE OF CAPITAL (PERCENTAGE)



Note: The main source of initial capital was determined by asking the owners *What were the main sources of funding for the start of your activity?* Medium credit was determined by asking *During the last 6 months, how many loans of between 200,000 to 5 million VND have you obtained from formal or informal lenders for your activity?* and large credit was determined by asking *During the last 3 years, how many loans greater than 5 million VND have you obtained from formal or informal lenders for your activity?* For large credit the category “No need” included owners who did not obtain any loans because they did not apply for any and stated that they did not apply because there was no need to do so. The category “No access to credit” refers to owners who did not obtain any loans because (1) they unsuccessfully applied for a loan or (2) they did not apply for a loan because they did not think they could get one. For medium credit, not needing a medium loan and not having access to credit cannot be distinguished because the reason why owners did not apply for a medium loan was not asked during the survey. Owners who did not apply for medium loans were divided into the two groups according to the same breakdown observed for large credit.

Source: 2014/15 HB&IS survey, VASS-CAF & IRD-DIAL; authors' calculations

1.1. Importance of a social network in facilitating access to informal loans

Informal loans are typically available more quickly and on more flexible terms than formal ones, and they then play a particular role in the financing of HBs. Figure 10.1 shows that HBs rely more often on their social network, defined as their personal contacts, to raise funds when they start their business than on the formal credit market. Indeed, 17 per cent of the HBs used loans or gifts from their relatives or friends as the main source of financing when starting their business, while only 9 per cent took out formal loans. Medium or large loans from personal contacts are used by nearly one out of ten HBs to finance operating costs or activity development. The formal credit market was accessed by a barely higher proportion: Over the past 3 years, 14 per cent of the HBs took out loans of over 5 million VND from a bank, microfinance institution or mass organization to finance their activities, even though the amounts requested were higher for formal loans (see Chapter 7).

In order to identify the characteristics of HBs that use social networks to access informal credit, we estimated the probability of obtaining a loan larger than 5 million VND from personal contacts.¹ This probability was estimated using a probit model and by controlling for geographic area of an HB, its registration status, its industry, its size in terms of workers and in terms of value added, its duration, the education level of the owner and the age of the owner. This analysis is limited to large loans as they account for 90 per cent of the total amount of loan applications (see Chapter 7). The results are presented in the appendix (see Table 10.A, Model 1). We find that formal HBs and HBs with higher value added are more likely to rely on loans from personal contacts than informal businesses or businesses that generate low added value. This is mostly because informal and small businesses are more likely to self-finance their activity.² Another interesting result is that the use of one's social network to access credit is associated with the early stages of development of a business: Longstanding HBs (10 years or more) are less likely than younger HBs to borrow money from personal contacts. In contrast, older HBs and owners rely more on their own resources that they have been able to accumulate over time,

1. The reference for this probability is not having a loan larger than 5 million VND or having this kind of loan but from a formal source of credit or usurer.

2. This is shown by the results of a multi-logit estimation of the probability of taking out loans from personal contacts versus the probability of using his/her own resources or the probability of relying on formal loans or informal loans from a usurer (see the results in the appendix, Table 10.A, Model 2). The probability of relying on own resources versus taking out large loans from personal contacts is significantly higher for informal HBs than for formal HBs. In contrast, formal HBs are not significantly associated with the probability of having large loans from the formal market or a usurer instead of from personal contacts. HBs in the lowest quartile of value added have a higher probability of using their own resources instead of borrowing money from a personal contact compared to those in the other quartiles (especially the fourth one, where the coefficient is significant at the 5% level).

but they take out more formal loans as well, perhaps because formal credit institutions see long-established businesses as a low risk (see Model 2 in the appendix). HBs in the service sector are less likely to rely on personal contacts to get large loans. In both rural and urban areas, neither the number of workers nor the education level of the owner are significantly associated with the likelihood of relying on personal contacts for large loans.

What we now have to consider is on whom the owners of HBs rely in their social network to access informal loans. Figure 10.2 shows that most of the personal contacts used to access informal loans are family members and relatives. The use of one's family to access credit is the most common way to get the initial capital for a HB. 89 per cent of the contacts mobilized to raise funds are family members, meaning that 15 per cent of the HBs started their business with family funds as the main source of financing.³ The share of relatives in one's social network used to access informal loans of more than 5 million VND is high as well (76 per cent). While the bulk of the family members who provide credit at the start of a business are very close relatives (79 per cent are a parent, sibling, child or spouse), 41 per cent of the family members who lend large amounts of money are distant relatives (see Figure 10.3).

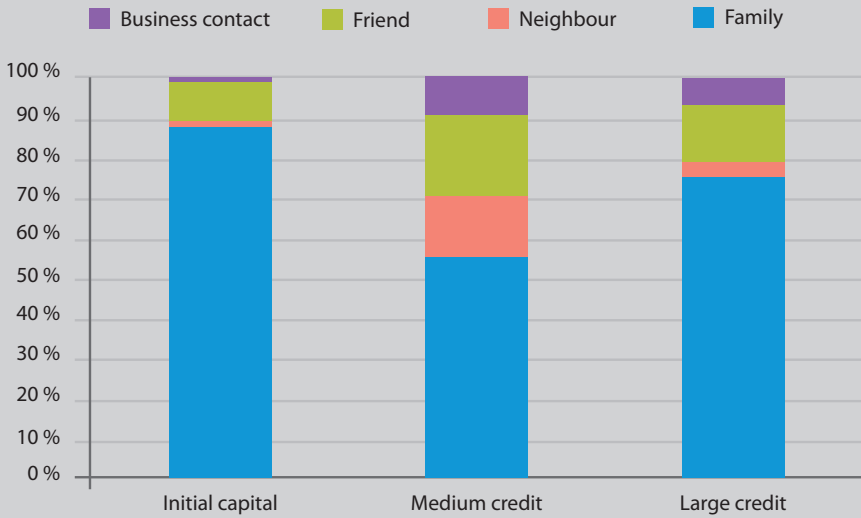
Friends, neighbours and business contacts play a role in accessing informal credit, but only informal medium loans, i.e. loans of 200,000 to 5 million VND, are provided by personal contacts (see Figure 10.2). They provide almost half of the medium loans (43 per cent) and only 24 per cent of the large loans. Thus, non-family contacts may be mobilized as well, but mostly when the amount is low (less than 5 million VND) and the financial commitment is weak. In addition, when personal contacts other than family members are mobilised, these persons and the owner are linked through strong ties. The strength of these ties is defined by a high frequency of contact and an intimate relationship.⁴ The owner meets the non-family members who provide medium loans at least once a week in nine cases out of ten. For the providers of large loans who are not family members, the frequency of contact is at least once a month for large loans in nine cases out of ten, and they usually have an intimate or very intimate relationship⁵ (80 per cent in the case of medium loans and 83 per cent in the case of large loans).

3. This proportion corresponds to 89 per cent of the 17 per cent of the HB owners who relied on personal contacts as their main source of financing when they started their business (see Figure 10.1).

4. To measure the strength of the ties, the name generator methodology was used. We asked the owners to provide a list of names of those who had provided them with a loan or credit. Further questions about the characteristics of the cited persons, as well as the relationships between these persons and the owner, were then asked. Frequency of contact was measured by asking *How often do you meet [name of the contact]?* Intimacy of the relationship was measured by asking *What is the level of intimacy you have with [name of the contact]?*

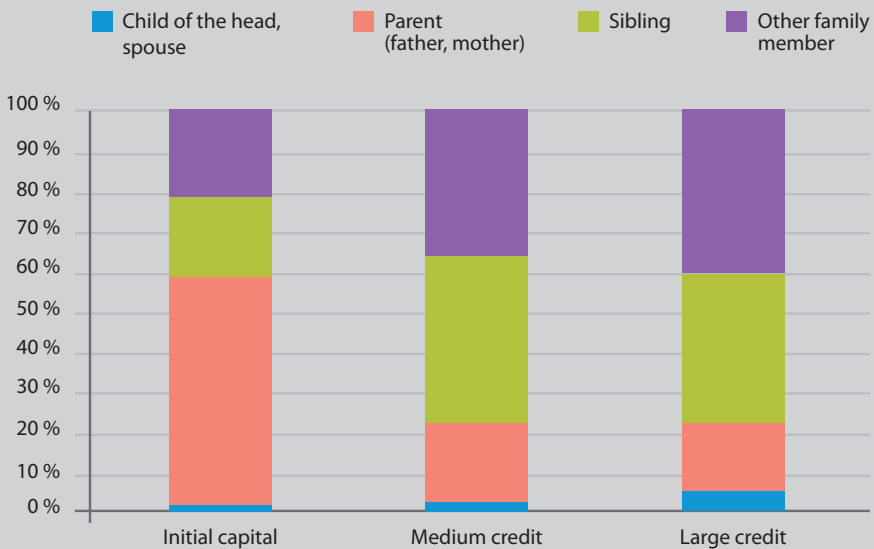
5. "Thân thiết" or "Rất thân thiết."

FIGURE 10.2.
COMPOSITION OF SOCIAL NETWORKS BY TYPE OF INFORMAL CREDIT (PERCENTAGE)



Source: 2014/15 HB&IS survey, VASS-CAF & IRD-DIAL; authors' calculations

FIGURE 10.3.
COMPOSITION OF FAMILY NETWORKS BY TYPE OF INFORMAL CREDIT (PERCENTAGE)



Source: 2014/15 HB&IS survey, VASS-CAF & IRD-DIAL; authors' calculations

1.2. Importance of a social network in facilitating access to formal loans

Accessing formal loans is highly correlated with the social network of HB owners as well. Formal loans are defined as loans of over five million VND provided by banks, mass organizations or micro-finance institutions. 14 per cent of the HB owners rely on such loans (see Figure 10.1). The results shown in Table 10.1 stress that owners who have access to formal loans are much more likely to have a close relationship with employees at a formal bank, with leaders of mass organizations or with members of the Communist Party. Almost a fifth of them (18 per cent) can contact at least one employee at a formal bank at any time, including at night, for help, while only 7 per cent of the owners without access to formal loans can do so. The same gaps are observed when the relationships with mass organisation leaders or Communist Party members are considered. The significant association between having a formal loan and having a close connection with a bank employee, mass organisation leader or Communist Party member remains true when controlling for the characteristics of HBs, and the association is stronger for a close connection with a bank employee.⁶

This result generalises the findings of other authors based on case studies in Vietnam or other segments of the labour market. Le Ngoc and Nguyen Thang (2009) have demonstrated that utilising a relationship with government officials for business purposes significantly increases the probability of getting a bank loan. Their study is based on a small and non-representative sample of 230 registered and private small and medium manufacturing enterprises. By using the 2006 Vietnam Provincial Competitiveness Index (PCI) Survey, a survey of 6,400 registered private enterprises, Malesky and Taussig (2008) found evidence that banks place greater value on connections than performance.

6. We estimated separately the effect of these three close connections on the probability of getting a formal loan with a probit model and by controlling for the geographical area of the HB, its registration status, its industry, its size in terms of workers, its size in terms of value added, its duration, the education level of the owner and the age of the owner. We found that having this close connection had a positive and significant effect on the probability of getting a formal loan of more than 5 million VND during the last three years. The results are presented in Table 10.B in the appendix.

TABLE 10.1.
SOCIAL NETWORKS OF HB OWNERS BY ACCESS TO FORMAL LOANS AND BY AREA
 (PERCENTAGE)

Owners can contact the following people at any time, including at night	All		Rural		Urban	
	Owners without a formal loan	Owners with a formal loan	Owners without a formal loan	Owners with a formal loan	Owners without a formal loan	Owners with a formal loan
Bank employees	7.3	17.6	7.3	15.4	7.3	20.7
Mass organisation leaders	18.5	28.5	21.5	29.8	14.8	26.7
Communist Party members	9.5	15.5	10.7	14.0	8.0	17.5

Source: 2014/15 HB&IS survey, VASS-CAF & IRD-DIAL; authors' calculations

In a context of a high degree of uncertainty in a business environment and a lack of reliable business information, recommendations by bank employees or government officials is one way used by banks to collect information about the creditworthiness of a business. Nguyen Thang *et al.* (2006) showed through 23 in-depth interviews with bankers of state-owned and private banks in Vietnam that the use of a personal relationship with a banker or a government official is a trust-building mechanism between a bank and a business owner. Thus, networking with a bank employee or government official enhances accessibility to formal loans by helping HBs improve their legitimacy.

1.3. Importance of social networks in facilitating access to trade credit

Trade credit is another source of financing for HBs. It refers to the facilitation by the supplier of the purchase of supplies without immediate payment. Trade credit is commonly used by HBs as a source of short-term financing. Around one third of the HBs (34 per cent) benefit from trade credit in the form of late payment from their main supplier, and this proportion increases to two thirds (68 per cent) when HBs that work with many suppliers and do not have a main one are excluded.

What then is the relationship needed between an HB owner and a supplier to grant the HB a trade credit? The comparison of the ties between HB owners and their suppliers when they are engaged in trade credit and when they are not provides some insights into this question.⁷ Table 10.2 shows that trade credit is more often granted to

7. This analysis only includes owners who stated that they have one main supplier (839 observations) and it excludes the ones who said that they have many suppliers and no main supplier.

owners who maintain a close and strong relationship with his/her supplier. Trade credit is provided when there is an intimate relationship between the owner of an HB and his/her supplier much more often than when there is no such relationship (44 per cent and 16 per cent of the time respectively). Around one third of the owners who benefit from trade credit interact with their supplier through social events (e.g a Lunar New Year celebration or a wedding), and less than one fifth of the owners who do not receive trade credit interact in such a way with their supplier. Concerning informal loans, trade credit is associated with frequent contact. Strong ties with one's suppliers establishes business trust and access to trade credit. Owners thereby influence their suppliers' perception of the likelihood of payment default and the likelihood that they will honour contracts since the social sanctions in the case of payment default may be too high for a HB owner. This has already been shown by McMillan and Woodruff (1999), but with non-representative data at the national level and for the private enterprise sector only.⁸

TABLE 10.2.
CHARACTERISTICS OF THE TIES BETWEEN AN OWNER AND HIS/HER MAIN SUPPLIER WHEN THE SUPPLIER OFFERS TRADE CREDIT AND WHEN HE/SHE DOES NOT (PERCENTAGE)

The supplier ...	Trade credit	No trade credit
Has another relationship with the owner	15.3	10.2
Is not a family member or a friend	84.7	89.8
Lives in the same neighbourhood	32.0	32.4
Lives more than 2-3 km from the owner	68.0	67.6
Knew the owner before the start of the business	34.1	31.0
Knew the owner after the start-up phase	65.9	69.0
Sees the owner at least once a week	64.1	48.6
Sees the owner less frequently than once a week	35.9	51.4
Is intimate with the owner	43.9	16.2
Is not intimate with the owner	56.1	83.8
Invites the owner over during Têt	30.1	13.9
Does not invite the owner over during Têt	69.9	86.1
Is invited by the owner to family events (a new house, a wedding)	37.3	17.5
Is not invited by the owner to family events	62.7	82.5
Invites the owner to family events (a new house, a wedding)	37.3	19.9
Does not invite the owner to family events	62.7	80.1

Source: 2014/15 HB&IS survey, VASS-CAF & IRD-DIAL; authors' calculations

8. More precisely, they used surveys of 259 medium and large manufacturing enterprises that were registered (the median firm had 32 employees). The data covered Hanoi and Ho Chi Minh City.

Even more interestingly, the strength of the ties between an owner and his/her suppliers counts more towards getting trade credit than business characteristics, in particular its financial standing. Indeed, the coefficient of the intimate relationship variable (whether it exists or not) is much higher than the coefficients of the size of the business, its sector of activity, its duration or even its formality status when the probability of getting trade credit is estimated with a probit model (see Table 10.C in the appendix, Model 6).

In this section, we have demonstrated the importance of a social network in facilitating access to financial capital, especially at the early stage of development of a HB. Household businesses rely more often on their social network to raise funds at the start of a business than on the formal credit market, and loans from personal contacts are used by one out of ten HBs to finance their activities. Social networks even facilitate access to formal loans since connections are a channel used by formal institutions to collect information about the creditworthiness of an HB. In addition, the use of social networks to facilitate access to credit may be a source of inequality since the social networks mobilised to access informal credit are mostly constituted of family members. The capacity to access credit from a network depends therefore on the wealth of the family. Finally, access to all kinds of credit is associated with strong ties with the lender.

2. **SOCIAL NETWORK AND ACCESS TO PHYSICAL CAPITAL**

A premises is one of the main assets of a HB. It is therefore important to examine whether a social network facilitates access to a premises. Only HBs with a professional premises (i.e. a permanent premises in a market, workshop, shop, restaurant or hotel) are taken into consideration in this analysis.⁹ They account for 28 per cent of the HBs (see Chapter 3). Accessing an adequate professional premises is challenging in the context of Vietnam as one out of five HBs with a professional premises complain about the quality of their premises (e.g. a lack of space or the premises is inadequate for their activities). Almost half of the HB owners with a professional premise (41 per cent) do not own their premises. What then is the relationship they have with their landlord, and does this relationship facilitate access to the premises?

9. Access to a private home (45 per cent of the premises) follows a different logic than access to a professional premises. It depends less on the market (most households own their home) and is more related to household characteristics than to business characteristics.

TABLE 10.3.
RELATIONSHIP BETWEEN THE OWNER AND THE LANDLORD OF HIS/HER
PROFESSIONAL PREMISES BY AREA AND FORMALITY STATUS (PERCENTAGE)

	All	Rural	Urban	Informal	Formal
Close family members	28.5	38.6	19.8	30.4	25.0
Other family members	20.6	23.7	18.0	23.5	15.7
Neighbours or friends	10.8	9.0	12.3	10.8	10.8
Other contacts	40.1	28.7	49.9	35.3	48.6

Source: 2014/15 HB&IS survey, VASS-CAF & IRD-DIAL; authors' calculations

Here again, family plays a key role in facilitating access to a professional premises, especially in rural areas and for informal businesses, where more than half of the landlords are family members (see Table 10.3). Formal businesses and urban businesses rely more on the market to get their premises since one out of two has no personal relationship with their landlord.

TABLE 10.4.
RENTING CONDITIONS BY CHARACTERISTICS OF THE TIES BETWEEN OWNERS
AND THE LANDLORDS OF THEIR PROFESSIONAL PREMISES (PERCENTAGE)

	Have a problem with the premises (e.g. a lack of space or it is inadequate)	Have to pay rent
Close family member	9.7	12.6
Other family member	42.9	49.7
Neighbour or friend	46.9	95.5
Business contact	31.6	95.6
Intimate	29.3	45.6
Not intimate	29.5	90.9
Same neighbourhood	27.5	53.3
Not the same neighbourhood	34.4	81.3
All	29.3	62.5

Source: 2014/15 HB&IS survey, VASS-CAF & IRD-DIAL; authors' calculations

Table 10.4 shows that a close relationship with the landlord provides the owner with better rental conditions. Owners complain more about their premises when the landlord is a neighbour, a friend, a person with whom they have a business relationship or even a distant relative than when it is a parent, a sibling or a child. Having no family relationship implies having to pay rent. Only half of the distant relatives and 13 per cent of the close relatives ask for rent. Having an intimate relationship with the landlord does not make a difference in terms of whether a premises is adequate or not, but it does allow one to use the premises free of rent more often (50 per cent of the time, compared to only 10 per cent when the ties are not intimate). Living in the same neighbourhood as the landlord is almost as advantageous as being intimate with the landlord in terms of rent, and this guarantees a more adequate premises as well.

Tools and equipment are another important kind of physical capital for HBs, especially in the manufacturing sector. When tools or machinery break down, HB owners have to borrow other ones from someone else to ensure continuous production. Borrowing tools and machinery is useful as well when a specific and punctual production process is required. For this reason, owners were asked whom they can borrow tools and machinery from when they are in need. In the manufacturing sector it appears that only a minority of the HB owners (19 per cent) have contacts who will lend them this physical capital,¹⁰ and this kind of support is more prevalent in rural areas than in urban areas (21 per cent and 17 per cent respectively) and among informal businesses than formal ones (21 per cent and 14 per cent respectively). Interestingly, neighbours are the main provider of this kind of support in rural areas and among informal businesses (see Table 10.5). The predominance of clusters of manufacturing activities in rural Vietnam may explain this. In urban areas and among formal businesses, however, family is again the main form of support.

10. The question asked was *If you need to borrow tools or machinery for your business, who would you ask (excluding members of your household)?* 81 per cent of the owners answered "Nobody."

TABLE 10.5.
RELATIONSHIP BETWEEN THE OWNERS OF MANUFACTURING HBS AND
THE POTENTIAL LENDERS OF TOOLS AND MACHINERY BY AREA AND FORMALITY
STATUS (PERCENTAGE)

	All	Rural	Urban	Informal	Formal
Family	31.9	28.6	40.0	29.1	47.9
Neighbour	35.0	39.5	23.7	36.0	28.9
Friend	17.8	11.9	32.4	19.0	10.8
Business contact	15.3	19.9	3.9	15.9	12.3
Total	100	100	100	100	100

Note: The population is the owners of manufacturing HBs who stated that they have someone from whom they can borrow tools and machinery when needed.

Source: 2014/15 HB&IS survey, VASS-CAF & IRD-DIAL; authors' calculations.

Thus, we have shown in this section that personal relationships are a key determinant of access to professional premises as the strength of the ties with the landlord shapes the rental conditions as well as the quality of the premises. In contrast, a social network is rarely used for temporary use of tools or machinery, and when it is, geographical proximity conditions this interaction in rural areas and for informal businesses, while family is the main form of support for other businesses.

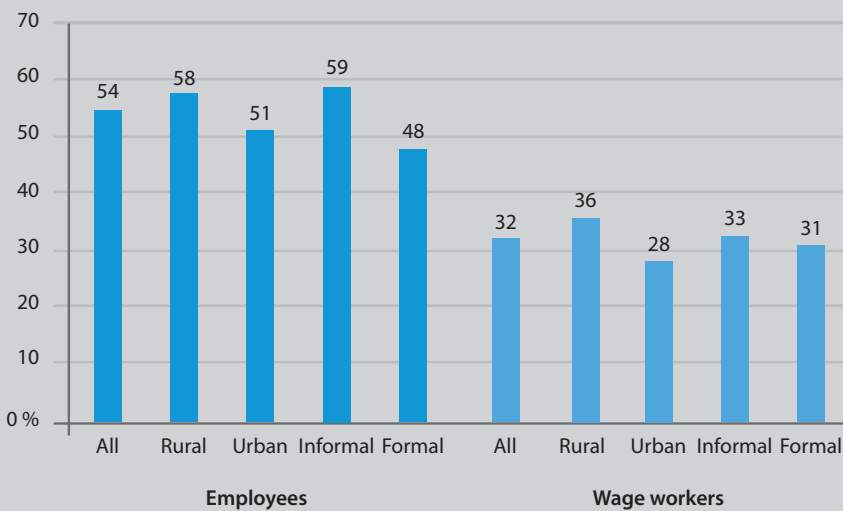
3. **SOCIAL NETWORK AND ACCESS TO LABOUR**

Most of the workers in the household business sector are family members. Half of the employees (excluding the spouse) are linked to the owner by family relationship, and this proportion is around one third for wage workers (see Figure 10.4). The use of family labour is even more widespread among informal HBs, and it is associated with small businesses (particularly in terms of value added), with longstanding businesses and with trade activity.¹¹ Why do HBs rely so massively on family labour in Vietnam? The literature provides two explanations (Nguyen and Nordman, 2014). First, household businesses hire family labour because the strong ties linking the owner and the worker make the family workers more trustworthy and more flexible than non-related

11. Positive and significant associations were identified by estimating for all the workers at an HB the probability of a worker being a family member versus being a non-family member by the geographical area of the HB, its registration status, the sector it is in, its size in terms of workers, its size in terms of value added, its duration, the education level of the owner and the age of the owner. A probit model was used for this estimation and the results are provided in Table 10.C in the appendix (see Model 7).

workers. But it might also be the case that HB owners have no other choice than to hire family members. This constraint may be due to a lack of labour market intermediaries who are able to convey information about workers and jobs, but it may also be due to the fact that HBs sometimes hire family workers as a way to repay them for their past financial support or, more generally, to comply with a social obligation. How employing family members affects an HB's performance differs substantially according to these two explanations. According to the first explanation, employing a family member has a positive effect on the performance of a business, and according to the second explanation, the effect would be negative. The 2014/15 HB&S survey provides evidence of the relative importance of these two channels in Vietnam.

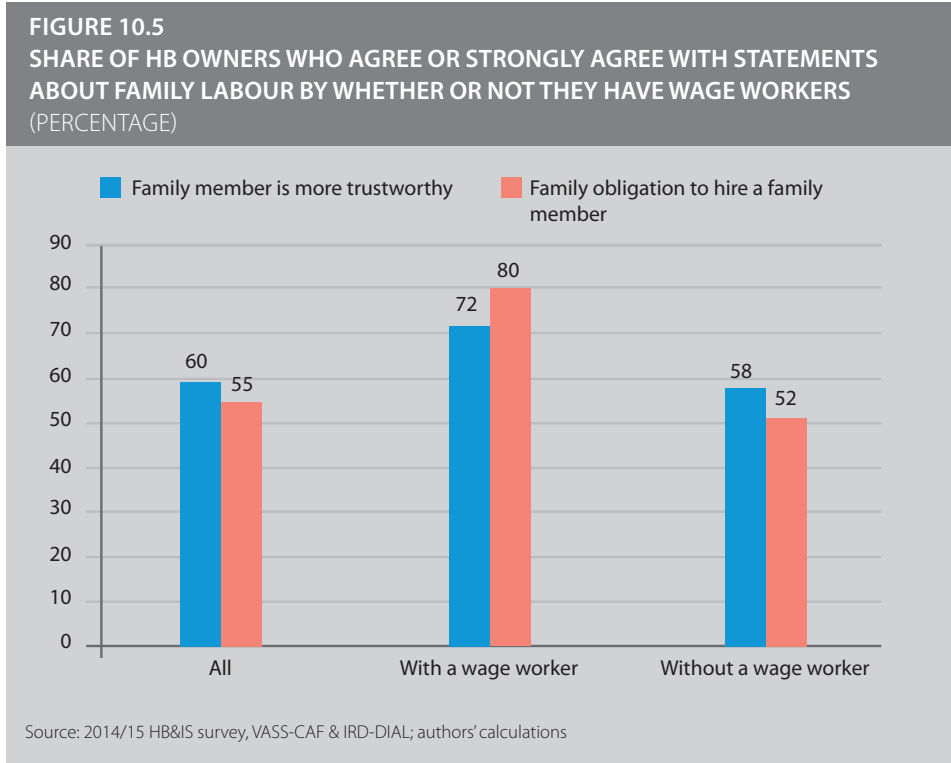
FIGURE 10.4.
SHARE OF FAMILY MEMBERS AMONG EMPLOYEES AND AMONG WAGE WORKERS
BY AREA AND FORMALITY STATUS (PERCENTAGE)



Source: 2014/15 HB&S survey, VASS-CAF & IRD-DIAL; authors' calculations

A look at how HB owners perceive the trustworthiness of family workers and the pressure put on them by their family to employ family members gives a first insight into this question. Owners were asked whether they agree with the following statements: *Among employees, family members are more trustworthy than non-family members and if a family member asks me to help him/her by hiring one of his/her family members, I have to do it if I can.* Figure 10.5 suggests that both explanations for the preponderance of family labour in the HB sector hold true in Vietnam. More than half of the owners feel that family workers are more trustworthy than other workers, and this propor-

tion is even larger when a business has wage workers. Meanwhile, almost the same proportion of owners stated that they have to hire a family member in cases where they feel pressure from their family to do so, thus highlighting the existence of strong obligations towards one's family.



Objective data on the trustworthiness of family workers allows us to go further in this analysis. Owners with employees were asked who, apart from them, handles the cash in the business, and to whom they can entrust their business when they have to go away for a couple of days.¹² Table 10.6 shows that the probability of having a trustworthy person to handle the cash or manage the business is higher for HBs where family members work: 76 per cent of the owners with family employees have a trustworthy person to handle the cash compared to 58 per cent of the owners without family employees. 67 per cent of the owners of HBs with family employees have someone whom they can entrust the business to and 53 per cent do not. By looking in greater detail at these results, it appears that in general trustworthy persons are mostly family

12. This latter question was asked of manufacturing, construction and service businesses only, excluding trade businesses.

members: When the owner has someone whom he/she can trust, this person is a family member more than 80 per cent of the time. Family members can be mobilised by the owner even if they do not work for the business. Considering employees only, including wage workers and unpaid family members, almost three quarters of the trustworthy employees are family members, and half of them are very close family members (a spouse, siblings, parents or children). This suggests that family labour is involved to a greater extent in management and supervisory tasks than hired labour, and, as found by Nguyen and Nordman (2014) using the Vietnamese Household Living Standards Survey (VHLSS) panel data, hired labour is not a substitute for family labour.

TABLE 10.6.
INDICATORS OF TRUSTWORTHINESS OF EMPLOYEES ACCORDING TO THEIR
RELATIONSHIP WITH THE OWNER AMONG HBS WITH EMPLOYEES, EXCLUDING
THE SPOUSE (PERCENTAGE)

	At least one family worker other than the spouse	No family workers	All
Someone else can handle cash in the business	75.9	57.4	70.4
The person who can handle cash is...			
An employee and close family member	39.2	0.0	29.6
An employee and other family member	11.7	0.0	8.9
An employee and not a family member	1.6	54.0	14.4
Not an employee/is a family member	46.8	42.7	45.8
Not an employee and not a family member	0.8	3.3	1.4
Total	100	100	100
HB can be entrusted to someone else	67.1	52.5	62.3
The person to whom the business can be entrusted is...			
An employee and close family member	45.6	0.0	34.2
A employee and other family member	13.9	0.0	10.4
An employee and not a family member	7.2	48.7	17.6
Not an employee/is a family member	32.5	47.8	36.4
Not an employee and not a family member	0.7	3.5	1.4
Total	100	100	100

Source: 2014/15 HB&IS survey, VASS-CAF & IRD-DIAL; authors' calculations

Finally, we explore the explanation that the preponderance of family labour in the HB sector is due to a lack of labour market intermediaries to find workers. The use of an intermediary to recruit a worker is marginal in the Vietnamese HB sector. Only 11 per cent of the businesses with at least one employee have found employees through

an intermediary, and this intermediary was a relative in more than a quarter of the cases (friends, neighbours and middlemen otherwise). The main method of recruitment is direct contact between the employer and the employee (88 per cent of the employees were recruited directly). Thus, the bulk of the owners have to find the workforce that they need among the people they know. Limited use of intermediaries to find workers was confirmed by the answer to a question asked of owners without workers: *If you needed to recruit a worker, who would you ask to help you find one?* Only 5 per cent of them would ask someone to help them, and they would most often request assistance from family members (in 58 per cent of the cases).

This section demonstrates the predominance of using one's family network to access labour. It suggests that three kinds of explanation are at play simultaneously. Household business owners recruit mostly family members because they are more trustworthy, but also because they face family obligations to do so and because the use of an intermediary to access workers outside the family is almost non-existent.

4. **SOCIAL NETWORK AND ACCESS TO INFORMATION**

In the context of a lack of institutional support to enter the labour market or to improve their production conditions, the strategy of HBs could be to rely on social networks to access information about market opportunities, innovation, suppliers and clients. By using innovative questions introduced in the 2014/15 HB&IS questionnaire, this subsection aims to stress how and to what extent information is conveyed through social networks.

Three types of information are examined here. The first type is information needed at the start of a business to evaluate market opportunities or the requirements of the targeted market. Owners were asked whether they had received advice when they started their business and from whom. Secondly, personal contacts who provided information about innovation were identified among HBs which have introduced innovative measures at their business during the past year (see Chapter 8). Finally, the use of a social network to create business relationships, more precisely to find new suppliers or customers, was determined by asking owners whether they have someone to help them with that. Table 10.7 presents the extent of the use of a social network for these three types of activity.

One fourth of the household businesses use their social network to access information. However, a social network is primarily used for collecting information at the start of a business. Meanwhile information about innovation or the creation of business relationships is rarely provided by personal contacts, and only 5 per cent of the HBs have a resourceful person who can act as an intermediary and reach new customers or suppliers. This proportion is very low considering that almost half of the HBs stated that they face problems selling their products, and 18 per cent have problems with the supply of raw materials (see Chapter 11). Therefore, almost no information is channelled through a social network, except at the start of a business. We will focus our analysis on the role of social networks in conveying information at the start of a business.

There is no big gap in accessing information through a social network at the start of a business among different types of HBs. The only significant difference among HBs is observed across industries. Social networks play a less significant role in the trade sector as only 16 per cent access information through this channel compared to 26 per cent in the manufacturing sector and 21 per cent in the service sector. To better understand the characteristics of HBs associated with this channel of information, an estimation of the probability of using a social network to access information at the start of a business is applied.¹³ While HBs in the trade sector appear to use this channel of information less often than HBs in other sectors of activity, formal HBs are associated with higher use of social networks than informal ones once other characteristics are controlled for, and young entrepreneurs rely more on social networks to collect information. Other characteristics are not significantly associated with the likelihood of having access to advice at the start through one's social network.

13. These characteristics are the geographical area of the HB, its registration status, its industry, its size in terms of workers, its size in terms of value added, its duration, the education level of the owner and the age of the owner (see Table 10.C, Model 8 in the appendix).

TABLE 10.7.
ACCESS TO INFORMATION THROUGH A SOCIAL NETWORK AMONG HOUSEHOLD
BUSINESSES (PERCENTAGE)

	All	Rural	Urban	Manuf.	Trade	Service	Informal	Formal
Information at start of business	20.4	21.6	18.9	25.4	15.7	21.3	19.6	22.4
Creation of business relationships	5.1	6.5	3.4	6.0	5.1	4.4	4.4	7.0
Innovation in products and technology	2.2	2.1	2.3	4.5	0.3	2.5	2.1	2.6
Information in general	25.3	27.1	23.1	31.9	20.4	25.5	24.0	28.9

Source: 2014/15 HB&IS survey, VASS-CAF & IRD-DIAL; authors' calculations

As a social network is a channel for information at the start of a business, the question then is to know who in the social network provides such information. It is clear from Table 10.8 that one's family network is the main provider of such information (60 per cent), especially in the trade sector and in the formal sector. In a family network, the parents of the business owners are the main source of information, and they account for 22 per cent of the contacts used to collect information at the start. However, the importance of business partners is not insignificant as they account for 20 per cent of the connections who provide advice at the start, followed by friends (13 per cent) and neighbours (7 per cent).

TABLE 10.8.
COMPOSITION OF THE SOCIAL NETWORK THAT PROVIDES INFORMATION
AT THE START OF A BUSINESS (PERCENTAGE)

	All	Manuf.	Trade	Service	Informal	Formal
Family network	60.5	61.1	67.5	55.5	57.1	68.4
In which						
Parent	22.2	13.4	35.6	21.4	20	27.2
Spouse and children	9.3	14.5	4.9	7.4	8.3	11.5
Sibling	13.2	14	12.7	12.9	11.8	16.5
Other family member	15.8	19.2	14.3	13.8	17	13.2
Non-family network	39.5	38.9	32.5	44.6	43	31.6
In which						
Neighbor	6.8	7.7	5.8	6.7	8	4
Friend	13.1	11.3	9.4	17	13.8	11.5
Business contact	19.6	19.9	17.3	20.9	21.2	16.1
Total	100	100	100	100	100	100

Source: 2014/15 HB&IS survey, VASS-CAF & IRD-DIAL; authors' calculations

It is interesting to see what characterizes the relationships within the non-family network that provides advice at the start of a business. Neither level of intimacy nor frequency of contact is particularly high, as illustrated in Table 10.9. The same holds true for the strength of the ties, which are measured by invitations to important events like celebration of the New Year (Tet), building a new house and weddings. Advice is provided by established acquaintances who knew the owner before the start of the HB (83 per cent), from working together elsewhere (21 per cent) or by people who are introduced by another acquaintance (11 per cent). In addition, 70 per cent of the contacts who provide information are in a better economic situation than the owner.

TABLE 10.9.
CHARACTERISTICS OF NON-FAMILY CONNECTIONS WHO PROVIDE ADVICE AT
THE START OF A BUSINESS (PERCENTAGE)

The contact	Yes	No
Lives in the same neighbourhood	32.1	67.9
Sees the owner at least once a week	35.9	64.1
Is intimate with the owner	63	37
Is invited to visit the HB family during Tet	46.6	53.4
Is invited by the HB to a family event like building a new house	54.6	45.4
Invites the HB to visit during Tet	58.5	41.5
Knew the HB owner before the business started	83	17
Is in a better position	70.1	29.9

Source: 2014/15 HB&IS survey, VASS-CAF & IRD-DIAL; authors' calculations

To sum up, the survey shows that almost no information is channelled through social networks, except at the start of a business, and then the transmission of information is mostly through family members. The fact that there is almost no other source of information than one's social network (for example, formal associations do not provide any help collecting information) stresses the urgency to develop other channels of information, particularly those that are able to convey innovative information and not mostly information related to the experience of past generations.

5. SOCIAL NETWORK AND VULNERABILITY

As shown in Chapter 9, HBs are highly vulnerable to others shocks, especially a health shock. In this context, one's social network may be an essential element of resilience to shock among HB owners, e.g. through risk-sharing arrangements or self-insurance. One question examined here then is to what extent HBs can rely on their social network to cope with shocks in Vietnam.

In addition, expanding the coverage of the social security systems for the informal sector in Vietnam is a core objective of the new master plan. Social networks may play a key role in the attainment of this objective, as informal insurance may crowd out the demand for formal insurance. This section will investigate these two questions.

To find out whether HBs can rely on their social network to cope with shocks, three risk-sharing mechanisms based on social networks are examined. The first is to ask personal contacts for financial support if the business experiences difficulty. Unlike informal loans, this support usually does not require paying interest, and when it does, the interest rate is very low. But this kind of support requires knowing people who have the necessary financial resources and having an intimate or reciprocal relationship with them. HBs owners answered the following question: *Who could provide you with financial support for your business (i.e. lend you money and either not charge interest or charge only low interest)?* The proportion of owners who can rely on such support from their network is very low, only a third (see Table 10.10), highlighting the high degree of vulnerability of HBs. Urban HBs are even more vulnerable than rural ones. In addition, this support comes mainly from the family (74 per cent of the time), and support from friends or business contacts accounts for only 12 per cent and 6 per cent respectively.

A second form of support from one's social network that can help a HB cope with shocks is receiving a non-negligible amount of money for a very short term, whatever the interest rate may be. HB owners were asked whether they could borrow 5 million VND within a week. This amount is nearly twice the median monthly value added among informal HBs (see Chapter 6). The conditions for this support may be different than the previous kind because it does not necessarily entail strong or reciprocal ties. This may be the reason why the proportion of owners benefiting from this support is higher, as half of them are able to collect this amount in seven days. However, 50 per cent of the owners do not have a social network that helps to cover unexpected expenditures on a short-term basis.

A third form of financial support to deal with shocks are informal rotating savings and credit associations (ROSCAs). In these associations, members pool their money into a common fund, generally structured around monthly contributions, and money is withdrawn from it as a lump sum by a single member at the beginning of each cycle. This kind of informal financial institution is often considered as a form of informal insurance as it regularly provides a large amount of money that can help one face medium or long-term shocks (Calomiris and Rajaraman, 1998). Only 10 per cent of the HB owners benefit from this kind of informal insurance.

TABLE 10.10.
PROPORTION OF OWNERS WHO BENEFIT FROM A SUPPORTIVE NETWORK
BY FORMALITY STATUS AND AREA (PERCENTAGE)

Proportion of owners who	All	Informal HBs	Formal HBs	Rural	Urban
Can receive financial support for their business	33.9	33.4	35.4	37.7	29.2
Are able to borrow 5 million within a week	50.0	46.4	60.1	52.7	46.6
Belong to a rotating credit and saving association	10.2	9.7	11.5	11.6	8.5
Do not benefit from any of these 3 kinds of support	35.7	38.1	28.7	31.7	40.6

Source: 2014/15 HB&IS survey, VASS-CAF & IRD-DIAL; authors' calculations

By taking into consideration these three risk-sharing mechanisms simultaneously, it appears that 36 per cent of the HB owners are highly vulnerable as their social network does not provide them with any risk-sharing or informal insurance mechanisms to cope with shocks. In addition, vulnerability is more widespread in urban areas, where 41 per cent of the HB owners are vulnerable, highlighting the erosion of supportive networks in urban areas. Finally, as expected, informal HB owners are more vulnerable to shocks than formal ones, mostly because of their weak ability to borrow a large amount of money in the event of a shock. In fact, informal HBs are not more vulnerable than formal ones once their size and their level of value added are taken into account.¹⁴ Female owners are more vulnerable than males once other characteristics are taken into account, and owners who are older than 45 are more vulnerable than owners who are 45 or younger.

14. Again, we use a probit model to estimate the probability of not benefiting from support by the geographical areas of the HB, its registration status, its industry, its size in terms of workers, its size in terms of value added, its duration, the education level of the owner and the age of the owner. In this model, we add the sex of the owner as well (see Table 10.C, Model 9 in the appendix).

To what extent supportive a social network is a substitute for a formal social security scheme is the second question addressed in this subsection. It seems that there is no negative correlation between having a supportive network and a subscription to a social security scheme. The proportion of owners who have a health insurance card or subscribe to a voluntary Vietnamese social security scheme is more or less the same among owners who have a supportive network and owners who do not have such a network (55 per cent and 54 per cent respectively). However, a look in greater detail at the type of risk-sharing mechanisms reveals that some substitution between informal rotating credit associations and social security subscription seems to be at play. 56 per cent of the owners who do not belong to an informal credit association have formal health insurance coverage, and only 45 per cent of those who do belong to such an association have such coverage.¹⁵

CONCLUSION

To summarize, this chapter has highlighted the importance of the use of social networks in the functioning of HBs. HBs are anchored in social networks, and these personal relationships are critical for accessing the main production inputs, which are capital and labour, and coping with the uncertainty that characterizes the activities of HBs. As far as capital is concerned, HBs rely on their social network to get initial credit or informal and formal loans. While the frequency of using informal loans obtained from personal contacts is comparable to that for formal loans in the financing of HBs, access to formal loans is associated with having a close relationship with bank employees and government officials. Another source of short-term credit is trade credit, and it depends on the strength of the ties between the owners of the HBs and their suppliers. In addition, personal relationships shape the rental conditions and the quality of a professional premises. Concerning labour, most of the employees are not recruited through market mechanisms but through family networks. Finally, a majority of HBs benefit from supportive networks that help them face shocks and unexpected expenditures.

Although the use of a social network facilitates the functioning of some HBs, there are three major drawbacks. The first is the fact that most of the social networks mobilized for HB activities are related to family networks. This may hamper social mobility because credit constraints, the quality of the labour, access to information and the capacity to

15. However, more in-depth analysis should be conducted to assess whether there is substitution between informal rotating credit associations and social security subscription by controlling for unobserved characteristics of the owners.

cope with shocks are partly determined by the social background of the owners. Thus, the association between the wealth and resources embedded in a family and the performance of an HB may be strong. The second drawback is that a non-negligible portion of the HBs do not have a social network to rely on. These HBs are disadvantaged and highly vulnerable, in particular the one third of the HB owners who are excluded from risk-sharing mechanisms and are most likely to be informal, to be female and to live in urban areas. The third drawback is related to innovation and efficiency in the household business and informal sectors. Innovation may be limited by the use of a social network because the information it conveys may not be in line with a rapidly changing environment. The use of a social network to recruit workers does not guarantee worker productivity as the widespread recruitment of family members is associated with family obligations and a lack of intermediaries. In addition, social networks may constitute entry barriers for potentially efficient entrepreneurs who cannot rely on family support at the start of their business and do not benefit from longstanding relationships with business contacts that facilitate the building of trust and cooperation agreements.

These results call for the need for public policies to mitigate the negative consequences of the prevalent use of social networks and, more specifically, family networks in terms of inequality of opportunity, of vulnerability and of limitation of the potential for growth. Developing mechanisms aimed at providing reliable information about businesses and workers may facilitate access to credit and labour for HBs regardless of their social network. Expanding the coverage of the social protection system, including insurance against risks, should be a major concern for public policy, in particular in the context of urbanization, which seems to go hand in hand with the erosion of traditional family-based supportive networks.

APPENDIX

TABLE 10.A. ESTIMATION OF THE PROBABILITY OF OBTAINING A LARGE LOAN FROM A PERSONAL CONTACT

	Probit model (Model 1)	Multilogit model (ref. Probability of having a large loan from a personal contact) (Model 2)	
	Probability of obtaining a large loan from a personal contact	Probability of obtaining a large loan from a formal market or usurer	Probability of not obtaining a large loan/using own resources
Formal HB (ref. informal)	0.395** (0.131)	-0.580 (0.339)	-0.856** (0.247)
Urban (ref. rural)	-0.128 (0.117)	0.0495 (0.260)	0.356 (0.216)
Sector of activity (ref. manufacturing & construction)			
Trade	-0.0345 (0.0964)	0.211 (0.217)	-0.0206 (0.187)
Service	-0.239** (0.0747)	0.485* (0.186)	0.434** (0.146)
Number of workers (ref. 1 worker)			
Two workers	-0.0566 (0.0666)	0.0655 (0.193)	0.199 (0.135)
3-5 workers	-0.0141 (0.133)	0.188 (0.376)	0.0168 (0.257)
6-18 workers	0.212 (0.246)	-0.0341 (0.430)	-0.412 (0.488)
Quartile of value added (ref. 1 st quartile)			
Quartile 2	0.270* (0.122)	-0.506* (0.216)	-0.624 (0.293)
Quartile 3	0.119 (0.135)	0.143 (0.278)	-0.364 (0.318)
Quartile 4	0.307* (0.119)	0.00254 (0.246)	-0.820** (0.277)
Duration of the business (ref. 0-4 years)			
5-9 years	0.0903 (0.0892)	-0.341 (0.210)	-0.143 (0.173)
10-16 years	-0.404** (0.0944)	0.558* (0.233)	0.907** (0.202)
More than 16 years	-0.0109 (0.107)	-0.366 (0.348)	0.0864 (0.195)
Education level of the owner (ref. no diploma/certificate)			
Primary	0.214 (0.127)	-0.0999 (0.257)	-0.594 (0.283)
Lower secondary	0.231 (0.159)	-0.132 (0.319)	-0.567 (0.341)
Upper secondary	0.199 (0.128)	0.115 (0.329)	-0.590 (0.281)

Superior	0.0137 (0.307)	0.414 (0.815)	-0.0132 (0.622)
Age of the owner (ref. <26 years old)			
26-35	-0.307* (0.111)	0.614 (0.326)	0.622* (0.264)
36-45	-0.275* (0.0997)	0.506 (0.357)	0.578* (0.244)
46-55	-0.619*** (0.133)	1.175** (0.298)	1.259** (0.330)
56-65	-0.544** (0.176)	0.802 (0.406)	1.195* (0.470)
> 65	-1.307*** (0.159)	2.674** (0.801)	3.045*** (0.429)
Constant	-1.237*** (0.181)	0.0618 (0.404)	2.076*** (0.396)
Observations	3,370	3,370	3,370

Note: Standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

Source: 2014/15 HB&IS survey, VASS-CAF & IRD-DIAL; authors' calculations

TABLE 10.B. ESTIMATION OF THE PROBABILITY OF OBTAINING A LARGE FORMAL LOAN VS NOT OBTAINING A LARGE LOAN OR OBTAINING A LARGE LOAN BUT FROM AN INFORMAL CREDIT SOURCE

	Probability of obtaining a large formal loan (probit model)		
	(Model 3)	(Model 4)	(Model 5)
Close relationship with			
Bank employee	0.492** (0.151)		
Communist Party member		0.254** (0.0794)	
Mass organization			0.288** (0.0865)
Formal HB (ref. informal)	0.152 (0.106)	0.149 (0.108)	0.163 (0.108)
Urban (ref. rural)	-0.133 (0.0800)	-0.120 (0.0813)	-0.106 (0.0802)
Sector of activity (ref. manufacturing & construction)			
Trade	0.0426 (0.0724)	0.0552 (0.0803)	0.0464 (0.0804)
Service	-0.00827 (0.0559)	-0.00304 (0.0568)	-0.00157 (0.0563)
Number of workers (ref. 1 worker)			
Two workers	-0.0656 (0.0645)	-0.0596 (0.0580)	-0.0522 (0.0582)
3-5 workers	0.0629 (0.151)	0.0914 (0.174)	0.0991 (0.173)
6-18 workers	0.144 (0.125)	0.237 (0.132)	0.260 (0.126)

Quartile of value added (ref. 1 st quartile)			
Quartile 2	0.0842 (0.105)	0.0713 (0.0985)	0.0859 (0.101)
Quartile 3	0.168 (0.106)	0.180 (0.106)	0.190 (0.105)
Quartile 4	0.442*** (0.0916)	0.452*** (0.0969)	0.452*** (0.0929)
Duration of the business (ref. 0-4 years)			
5-9 years	-0.193** (0.0644)	-0.158* (0.0654)	-0.181** (0.0626)
10-16 years	-0.315** (0.0768)	-0.306** (0.0724)	-0.314** (0.0743)
More than 16 years	-0.370* (0.147)	-0.341* (0.149)	-0.357* (0.151)
Education level of the owner (ref. no diploma/certificate)			
Primary	0.329* (0.127)	0.303* (0.139)	0.296 (0.141)
Lower secondary	0.242 (0.157)	0.208 (0.173)	0.193 (0.168)
Upper secondary	0.387 (0.219)	0.361 (0.225)	0.330 (0.223)
Superior	0.241 (0.407)	0.292 (0.399)	0.321 (0.404)
Age of the owner (ref. <26 years old)			
26-35	-0.0338 (0.240)	-0.00645 (0.236)	-0.0414 (0.231)
36-45	-0.0998 (0.255)	-0.0678 (0.253)	-0.0917 (0.245)
46-55	0.0662 (0.230)	0.0695 (0.230)	0.0447 (0.222)
56-65	-0.132 (0.283)	-0.144 (0.287)	-0.174 (0.275)
> 65	-0.0374 (0.474)	-0.0797 (0.483)	-0.115 (0.477)
Constant	-1.324*** (0.249)	-1.333*** (0.273)	-1.336*** (0.273)
Observations	3,370	3,370	3,370

Note: Standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

Source: 2014/15 HB&S survey, VASS-CAF & IRD-DIAL; authors' calculations

TABLE 10.C. ESTIMATION OF THE PROBABILITY OF OBTAINING TRADE CREDIT, OF BEING A FAMILY WORKER, OF USING A SOCIAL NETWORK TO ACCESS INFORMATION AND OF NOT BENEFITING FROM FINANCIAL SUPPORT

	Probability of obtaining trade credit among HBs with one main supplier (probit)	Probability of being a family worker versus being a non-family worker (probit)	Probability of using a social network to access information at the start (probit)	Probability of not benefiting from financial support from a social network (probit)
	(Model 6)	(Model 7)	(Model 8)	(Model 9)
Closeness of the relationship				
Meets the supplier at least once a week	0.252* (0.107)			
Is intimate with the supplier	0.599*** (0.0921)			
Formal HB (ref. informal)	0.367** (0.112)	-0.196* (0.0762)	0.189* (0.0728)	-0.176 (0.107)
Urban (ref. rural)	-0.261** (0.0804)	-0.0483 (0.116)	-0.0715 (0.0656)	0.281*** (0.0485)
Sector of activity (ref. manufacturing & construction)				
Trade	0.165 (0.142)	0.813*** (0.156)	-0.341* (0.127)	0.0221 (0.157)
Service	-0.191 (0.118)	0.298 (0.147)	-0.0850 (0.113)	0.0288 (0.174)
Number of workers (ref. 1 worker)				
Two workers	0.0107 (0.109)	(reference)	-0.0445 (0.0912)	-0.00361 (0.0850)
3-5 workers	0.182 (0.144)	-0.0488 (0.0788)	0.00275 (0.0787)	0.140 (0.0677)
6-18 workers	0.0161 (0.397)	-0.416** (0.0929)	0.181 (0.155)	0.130 (0.188)
Quartile of value added (ref. 1 st quartile)				
Quartile 2	-0.148 (0.149)	-0.592** (0.170)	-0.170 (0.120)	-0.234 (0.141)
Quartile 3	-0.0608 (0.181)	-0.717*** (0.105)	-0.170 (0.104)	-0.302 (0.146)
Quartile 4	-0.306* (0.127)	-1.292*** (0.173)	0.0972 (0.123)	-0.575** (0.176)
Duration of the business (ref. 0-4 years)				
5-9 years	0.0254 (0.147)	0.0428 (0.0871)	-0.0782 (0.0789)	-0.133 (0.0719)
10-16 years	0.246 (0.155)	0.0222 (0.0860)	0.0309 (0.0853)	-0.0706 (0.0652)
More than 16 years	0.132 (0.114)	0.374*** (0.0781)	0.131 (0.163)	-0.0357 (0.0816)
Education level of the owner (ref. no diploma/certificate)				
Primary	-0.203 (0.117)	-0.0711 (0.260)	0.0498 (0.0904)	0.0636 (0.113)
Lower secondary	-0.210 (0.108)	-0.163 (0.267)	-0.0924 (0.120)	-0.0949 (0.126)

Upper secondary	-0.417** (0.148)	-0.209 (0.292)	0.0151 (0.0787)	-0.129 (0.101)
Superior	-0.0568 (0.321)	-0.340* (0.135)	-0.142 (0.224)	-0.209 (0.190)
Age of the owner (ref. <26 years old)				
26-35	-0.232 (0.331)	-0.317* (0.132)	-0.516* (0.187)	0.244 (0.192)
36-45	-0.313 (0.336)	-0.399* (0.150)	-0.645** (0.196)	0.316 (0.236)
46-55	-0.266 (0.269)	0.0616 (0.135)	-1.029*** (0.184)	0.604** (0.199)
56-65	0.139 (0.308)	-0.120 (0.140)	-1.279** (0.304)	0.787** (0.183)
> 65	0.0527 (0.358)	-0.138 (0.189)	-0.757** (0.165)	1.513*** (0.174)
Owner is female				0.106 (0.0517)
Constant	0.631* (0.266)	1.322** (0.352)	0.113 (0.282)	-0.686** (0.224)
Observations	888	2,001	3,411	3,411

Note: Standard errors in parentheses; *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Source: 2014/15 HB&IS survey, VASS-CAF & IRD-DIAL; authors' calculations



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The Importance of Household Businesses and the Informal Sector for Inclusive Growth in Vietnam

Chịu trách nhiệm xuất bản

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This book draws on an original and innovative data collection to provide new evidence on household businesses and the informal sector in Vietnam. This 2014/15 HB&IS survey conducted in late 2014 and early 2015 is the first national survey ever on this sector in Vietnam with full coverage of its different components.

The purpose of this book is threefold. First, it aims at filling the knowledge gap as to the role of household businesses and the informal sector in the Vietnamese economy. Second, it provides new insights for policymakers to unlock household business potential by identifying the factors blocking their performance and productivity. Thirdly, it identifies the sources of worker vulnerability in household businesses and the informal sector to inform the design of a suitable policy to tackle this vulnerability.



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