

## **INFLUENCE OF FINANCIAL FACTORS AND ABILITY TO ADAPT MACRO ECONOMY POLICY TO BUSINESS EFFICIENCY OF REAL ESTATE ENTERPRISES – ISSUES FOR BUSINESS EFFICIENCY FOR REAL ESTATE COMPANIES LISTED IN HO CHI MINH CITY STOCK EXCHANGE**

**Tri Minh Phan**

\* Faculty of Management and Economics, Hong Bang International University, Ho Chi Minh City, Vietnam

**Long Duy Nguyen**

\*\* Faculty of Management and Economics, Hong Bang International University, Ho Chi Minh City, Vietnam

### **ABSTRACT**

Paper analyzed nine main factors affecting business efficiency ratio of real estate businesses including debt ratio, business size, asset turnover, solvency, fixed asset ratio, growth opportunities, economic growth, inflation and interest rates. This article also provides recommendations for business managers and government officers in the real estate sector supporting to improve the efficiency of real estate businesses.

**KEYWORDS:** Business efficiency, enterprise, real estate

### **1. Introduction**

The real estate market in Vietnam has gradually formed and developed at a rapid pace, contributing significantly to the country's economic growth. After a period of formation and development, the real estate market has also revealed inadequacies in the market operating mechanism, legal system, market participants, commodity structure, transactions, information, management

The global outbreak of Covid-19 has further increased difficulties for the market. But reality shows that the current difficult period is also an opportunity to clearly screen and reposition businesses in the real estate industry. The epidemic is widespread and complicated, significantly affecting the operating plans as well as the revenue and profits of businesses, especially real estate businesses.

The issue of business performance of real estate companies receives a lot of attention in corporate finance research. Real estate companies with good business performance create value, create more jobs, drive innovation and pay taxes which we stakeholders receive their benefits.

### **2. Research purposes and methods**

\* Research purposes: The study collected financial data of 71 real estate companies in Ho Chi Minh City bourse. period from 2008 to 2020. Data source is extracted from the website of listed companies, and on portal Vietstock.vn. Identify and measure the influence of financial and macroeconomic policies factors on business performance of real estate businesses. Propose management implications to improve efficiency business results of real estate businesses in Ho Chi Minh City.

\* Research methods: Research used both quantitative and qualitative methods.

Step 1: Prepare for the survey: Build the survey form, interview form, criteria convention,

Step 2: Conduct the survey: panel discussion on selection variables in the study of the relationship between factors affecting business corporation results.

Firstly, the topics of discussion are concentrated in the convenient sampling plan outreach list.

Next , the discussed person will be divided into 2 groups: experts in real estate and lecturers in finance department of Ho Chi Minh city universities.

Thirdly, record the suggestions of factors affecting efficiency of real estate business by 2 groups. The results are below:

- Members agree with the hypothesis that debt/asset ratio (DTA) has a positive impact on business performance
- Members agree with the hypothesis that enterprise size (SIZE) has a positive impact on business performance.
- Members agree with the hypothesis that total asset turnover (TURN) affects business performance in the same direction
- Members agree with the hypothesis that fixed asset capacity (CATA) is in the same direction as business performance
- Members agree with the hypothesis that good growth ability (SG) has a positive impact on business performance
- Members agree with the hypothesis that good solvency (CR) has a positive impact on business performance
- Members agree with the hypothesis that GDP growth (GDP) has a positive impact on business performance
- Members agree with the hypothesis that high interest rates (IR) have a negative impact on business performance
- Members agree with the hypothesis that consumer price index (CPI) has a negative impact on business performance

### **3. Research results**

#### **3.1 Qualitative test of factors affecting business efficiency of real estate companies in Ho Chi Minh city**

**Table 3.1: Results of factors affecting business efficiency GMM test**

Variables	ROA	ROE
ROAt-1	0.604**	
ROEt-1		0.565***
DTA	-0.0378*	0.0175
SIZE	-0.00093	0.0142
TURN	0.0274**	0.311***
CATA	-0.00521	-0.00846
CR	0.000202	0.0198**
SG	0.00178	0.0134
GDP	0.153	-1.874***
CPI	0.1	0.493**
IR	-0.458*	-1.500***
Limits	0.0738***	-0.0887

\*, \*\*, \*\*\* are the 10%, 5% and 1% significance levels, respectively.

The main factors are divided into 2 groups affecting business performance ROA including observations that impact in the same direction (4 factors), observations that impact in the opposite direction (4 factors). Factors are divided into 2 groups that impact ROE business performance, including observations that impact in the same direction (5 factors), observations that impact in the opposite direction (3 factors)

#### 4. Recommendation

For real estate enterprises:

In the context of Vietnam increasingly integrating deeply with regions and global, more and more foreign investors are investing in Vietnam's real estate sector. Furthermore, the deposit interest rates of commercial banks in the first months of 2021 are very low, creating a large wave of investment in real estate, thus creating fevers in land prices in most localities. To ensure their business efficiency, businesses need to consider increasing company size and choosing appropriate investment methods. Currently, information about the real estate market is incomplete and inconsistent; publicity and transparency are not enough, causing difficulties for real estate businesses. There have been signs of speculation and falsification of information through the distribution stage.

For government agencies:

First, continue to research and improve the policy mechanisms system and legal documents on housing and real estate market; Build system tools to manage and control the development of the real estate market with focus on stable, sustainable, complete and synchronous structure, interconnected with other markets of the economy; proactively develop scenarios and solutions to regulate, control and stabilize the market.

Second, continue to restructure the real estate market in association with implementing the National Housing Development Strategy, especially social housing; overcome the mismatch between supply and demand, develop a variety of real estate products, including house for sale, house for rent, lease-purchase house, with affordable prices to reach the ability of the majority people in society; control product segment structure, promote development of rental real estate segment.

Third, it is recommended that the competent authorities soon consider allocating enough medium-term capital plans to subsidize interest rates for the Bank for Social Policies and credit institutions that deploy loans to support social housing.

Fourth, it is recommended that competent authorities must strictly control when deciding or approving investment in mid- and high-end apartment projects. Encourage small-area, average-priced apartment projects to avoid supply-demand imbalances causing easily destabilize the market.

Fifth, it is recommended that the People's Committees of provinces and cities focus on directing the implementation of solutions to promote the development of social housing, pay attention to allocating land funds and have support mechanisms to promote social housing projects, low-cost housing, and rental housing (especially in Hanoi, Ho Chi Minh City and other provinces and cities with many workers working in industrial parks).

Sixth, the government needs to rapidly implement fiscal and monetary policy packages to support socio-economic recovery and development that have been approved by the National Assembly, with a large focus on public investment.

Using investment capital from the budget needs to be placed in a long-term strategic vision. State investment capital will be the bait capital to attract domestic enterprises with sufficient conditions and financial capacity to participate in components of large projects. The government plays the role of direction which items to allocate to businesses, and at the same time, businesses can link together to deploy, meeting the requirements of the project as well as the requirements from government.

Seventh: The government should flexibly manage interest rates cases of interest rate fluctuations, such as in years when interest rates are too high

The real estate market is choked and when interest rates are too low, a situation occurs real estate bubble

Eighth: Policy makers need to clearly distinguish between real estate essential and non-essential needs to prioritize capital concentration. In addition to, developing the financial market in the direction of harmonize between the monetary market and the financial market capital market, promoting capital market development to create conditions for businesses to mobilize long-term

capital. Continue to amending the legal corridor as amended Land Law, Housing Law, Real Estate Business Law.

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