

TOP200



Methodology and Data Issues

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Viet Nam Top 200 Methodology and Data Issues

This note explains the methodology used to identify the largest firms in Viet Nam. It also discusses some issues with the data and the efforts made to correct where possible. The annual General Statistics Office (GSO) Enterprise Survey was used to determine the largest firms. The firm list for each year is based on the results of the previous year's survey plus a list of new enterprises provided by the Ministry of Finance tax office. Coverage is complete for enterprises with more than 10 employees.¹ The unit of analysis is the independent accounting enterprise with its own legal status. Sector of operation is defined as the activity contributing the largest share to enterprise output.² If this cannot be determined, then largest share of employment is used (Jammal *et al* 2006).

The 2005 Enterprise Survey, covering the year 2004, was used to select firms for questionnaire and interview. The project began in June 2006 and the 2005 survey was the most recent at that time. Firms

were sent questionnaires beginning in August 2006 and interviews of selected firms were conducted between November 2006 and May 2007 by a team of United Nations Development Programme (UNDP) researchers. Firms chosen for interviews were primarily in the manufacturing sector. In December 2006, the newest enterprise survey was released and this survey, covering the year 2005, has been used to generate the largest firms list presented in the report. Differences between the lists will be discussed below.

Two lists of firms have been generated. The first includes all firms in the survey. The second excludes 100 percent foreign owned firms in order to focus on Vietnamese enterprises. These two lists will be referred to as Top 200 and Domestic Top 200. The total number of firms in the 2006 survey is 112,947, of which 2,852 are 100 percent foreign owned. Three duplicate entries were removed Viettel, Saigon Newport and Dong Bac Coal Co.³

¹ For firms with less than 10 employees, a 20 percent sample are given the full questionnaire and the remaining 80 percent receive a shorter version.

² An enterprise with multiple activities will have all activities attributed to the largest. For example, if a firm operates in manufacturing and trading, with manufacturing the largest, then the contribution of trading is counted as manufacturing. While not ideal, this is international practice (Jammal *et al* 2006).

³ The original total number of firms in the 2006 survey is 112,950. However, GSO (2007) reports 113,352 total firms in 2005. Three of these additional firms are duplicates that have been deleted here. The remaining 402 firms are private, with a combined 2,945 employees. It is not clear why this discrepancy exists. Figures presented here do not include these 402 firms.

Duplicates were only removed from the Top 200 lists and the extent of duplication in the entire survey is unknown.

Firms were ranked separately by number of employees, assets and turnover. Asset data were for end of year 2003. These individual ranks were then averaged to give an overall rank for each firm. Combining the three categories was done to try and capture a more complete picture of the economy. A ranking based only on number of employees, for example, is likely to over-emphasise labour intensive industries.

Comparing coverage between the two lists, the Domestic Top 200 list includes 69 of the top 100 firms ranked by number of employees. Twenty of the 31 firms in the top 100 by labour but not in the Domestic Top 200 are garments and footwear companies. While these firms have a large number of workers, they have lower assets and often very low turnover. The Domestic Top 200 list includes 60 of the top 100 firms ranked by assets. Twenty of the 40 firms in the top 100 by assets but not in the Domestic Top 200 are financial companies with low rankings in labour and turnover. The Domestic Top 200 list includes 63 of the top 100 firms ranked by turnover. Twelve of the 37 firms in the top 100 by turnover but not in the Domestic Top 200 are in petroleum related industries, most in petrol trading. These firms have very high turnover but very few employees. For example, the Viet Nam National Petroleum Import Export Corporation (Petrolimex) headquarters is ranked second in terms of turnover and sixteenth in terms of assets but 3,261st in terms of labour. The combined rankings used to generate the Domestic Top 200 provide coverage of nearly two-thirds of the top 100 firms by labour, assets and turnover.

A potential problem with this method concerns the reliability of reported figures. This applies in particular to the assets category. Valuation of land, equipment and intangible assets is known to be problematic in Viet Nam. This is even more applicable for firms in the process of equitisation. The asset figures therefore need to be treated with caution. Similar objections can be made to the use of turnover and taxes paid figures, given known issues of multiple accounting books (one for the state and one for real), ghost value-added tax (VAT) invoices, negotiation of taxes with tax collectors and related schemes.⁴

Although these issues are very real, the danger is that these shortcomings, run to their full conclusion, prevent the use of any data. Viet Nam is still a developing country and the data are messy. Improvements in data collection need to be made, and one of the objectives of this report is to highlight some of these problems. The GSO Enterprise Survey is one of the few tools available. That the figures are not precise is taken as given, and caution in interpretation is very much warranted. Nevertheless, a picture can, and does, emerge.

An encouraging sign is that the 2006 data show marked improvement over 2005. The level of non-response, or a zero figure, for employees, assets and turnover has reduced.⁵ Reporting on sector of activity is more specific, with more firms reporting to the four digit Viet Nam Standard Industrial Classification (VSIC) level.⁶ This allows for more detailed differentiation between sub-activities within the same sector. The ownership categories are also more precise, for example allowing for differentiation between types of state one

⁴ In this report only the taxes paid category is used. This category includes the major taxes. In the enterprise survey there are additional variables for contributions to the state recording 'fees', 'other fees' and 'other additional'. See GSO (2007), p. 19-21 for definitions of the additional categories.

⁵ For the 2005 list, a firm had to report figures for at least two of the three categories to be included. This was not an issue in the 2006 list. Improved reporting allowing for more precise rankings accounts for some of the differences in the largest firms lists between the 2005 and 2006 surveys.

⁶ VSIC sectors and sub-sectors are based on the International Standard Industrial Classification (ISIC) revision 3. All VSIC codes are four digits, with zeroes as place holders. For example, the ISIC sector 14 is 1400 in VSIC. Increased detail in the 2006 survey is through reporting to further levels of detail, for example 1421.

member limited liability companies (central and local) and allowing for the possibility of multi-member limited liability companies with majority state ownership. However, issues remain with the survey design and implementation, to be discussed further below.

Unfortunately, the improvements in 2006 limit comparison with the 2005 data to a high level of aggregation. From the 2005 survey, 157 of the Top 200 companies in the Vietnamese firm list remain in the 2006 Domestic Top 200. Of firms in the 2006 Domestic Top 200, 80 returned questionnaires, and 62 were interviewed. A few of the firms interviewed did not return questionnaires. In total, 104 questionnaires were returned and 88 interviews conducted with firms, general corporation head offices and industry associations. Analysis of data from questionnaires only includes those firms in the 2006 list. In discussions of firm

interviews, relevant interviews with firms in the 2005 list are included and it is indicated when the firm is not in the 2006 largest firm list. Tables 1 and 2 summarise the changes in sector and ownership for the 43 firms that dropped out of the Top 200 from 2005 and the 43 firms added to the Top 200 in 2006.

Table 1 shows a reduction in manufacturing and construction companies, with a rise in service related firms, in particular financial enterprises such as banks. Table 2 shows a reduction in state companies and an increase in private firms. This is partly a result of an increase in joint stock companies (JSCs) with no state capital and JSCs with less than 50 percent state capital. Five of the new private firms in 2006 are banks (with one more trading in gold and jewelry), which have displaced firms from the 2005 Top 200. Several of these 2005 firms are now ranked just outside of the 2006 Top 200.

Table 1: Change in VSIC Sector of the 43 firms Domestic Top 200 2005 and 2006

VSIC sector	2005 (-)	2006 (+)	net change
Mining and quarrying	1	1	0
Manufacturing	23	14	-9
Construction	10	7	-3
Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	5	8	3
Transport, storage and communications	3	4	1
Finance, credit	1	7	6
Real estate, renting and business activities	0	1	1
Services for individuals and communities	0	1	1

Table 2: Change in Ownership of the 43 firms Domestic Top 200 2005 and 2006

Ownership	2005 (-)	2006 (+)	net change
State	36	31	-5
private	4	11	7
foreign	3	1	-2

A comment on ownership classification is required. The 'foreign' category includes joint ventures (JVs), but does not include JSCs with foreign investment. Beyond firms classified explicitly as state owned enterprises (SOEs), any firm with more than 50 percent state capital, with the exception of JVs, is considered a state company (GSO 2007).⁷

However, the classification of certain companies has already changed. For example, in January 2007 the Viet Nam Dairy Co (Vinamilk) dropped below the 50 percent state capital threshold and is therefore now considered a private firm. This reclassification process will continue as more and more state firms equitise and state capital shares fall below majority. In addition, some firms in the 2006 Top 200 have ceased to exist as independent units all together, for example Bai Bang Paper Co which has been merged into the head office of the Viet Nam Paper Corporation (Vinapaco). A period of rapid change is underway in Vietnamese firms. General Corporations (GCs) are transforming into Economic Groups. Member companies of GCs are being equitised into JSCs, and some are also becoming corporations themselves. The 2006 Top 200 is already out of date. In part due to the rapid pace of change itself and the difficulty in tracking it, the 2006 survey responses have been used to ensure consistency, even though that consistency only holds through 2005.

This also raises questions about the independent accounting enterprise as the unit of analysis and the definition of 'large'. If asked to name the largest firms in Viet Nam, many would respond with the names of prominent GCs such as the Viet Nam Oil and Gas Group (PetroVietnam), Viet Nam Shipbuilding Industry Group (Vinashin) and Viet Nam National Textile and Garment Group (Vinatex). However, General Corporations are not treated as a single unit, as corporations, in the enterprise

survey. There are important exceptions to this, discussed below. Independent accounting member units report as separate firms, while the GC head office and dependent accounting units report together under the head office. Although this does not preclude the appearance of the head office in the Top 200, the figures do not include all the member companies of the corporation.

The use of independent accounting enterprises as the unit of analysis can be defended along several lines. First, this is how the enterprise survey is (for the most part, see below) organised. To maintain comparison with non-GC firms, the survey unit has been retained. In addition, adding up all the independent GC member companies and combining them with the GC head office to obtain corporation figures assumes that the GCs operate as cohesive organisations which warrant such an approach. While true for some GCs, this assumption can be contested. In the main report it is argued that some GCs are breaking apart. If nothing else, use of the independent accounting unit will allow for comparisons with future surveys in which some GCs will, via equitisation, have ceased to exist all together.

Second, GCs have many members, big and small. Using the independent accounting enterprise as the unit of analysis allows for identification of the GC member companies that are largest elements of the corporation. Some GCs have many members in the Top 200, while others only have one or two that account for the bulk of their parent company's size. Third, this method allows for identification of the geographic dispersion of independent member companies, particularly north and south, rather than simply treating the GC as one unit headquartered in Hanoi or, less frequently, Ho Chi Minh City (HCMC).

⁷ The 2005 Enterprise Law, which came into effect in July 2006, redefines majority control as 65 percent or higher. However, the same law also stipulates that any firm with more than 50 percent state capital is considered an SOE. It remains to be seen if, and how, the classifications will change in future enterprise surveys.

However, a fundamental problem remains. Four GCs and four state owned commercial banks (SOCBs) reported as corporations in the 2006 survey, providing figures which included their independent accounting member companies. These eight firms are:

- Electricity of Viet Nam (EVN)
- Viet Nam Post and Telecommunications (VNPT)
- Viet Nam Airlines
- Viet Nam Railways (VNR)
- Industrial and Commercial Bank of Viet Nam (Incombank)
- Bank for Agriculture and Rural Development (Agribank)
- Bank for Foreign Trade of Viet Nam (Vietcombank)
- Bank for Investment and Development of Viet Nam (BIDV)

This discrepancy between unit of analysis prevents comparison between firms within the enterprise survey. There is first of all the issue of double counting. The figures of an independent accounting member company of one of these eight corporations are included in the survey as the independent enterprise and also as part of the figures for the parent corporation. Simple totals of number of employees, assets, turnover and tax paid based on the existing survey are therefore not valid. This calls into question GSO reports based on the enterprise survey which do not correct for this. Second, these eight corporations appear larger than they actually are according to the standard unit of analysis in the enterprise survey, which skews any attempt at ranking firms. It is also possible that other GCs, if they reported as corporations, would be larger than some of these eight. For example, comparing

responses to UNDP questionnaires, Viet Nam Coal and Mineral Industries Group (Vinacomin) has 20,000 more employees than VNPT.

It was necessary to disaggregate the independent accounting member firms from these eight corporations to make the firms comparable. This was done by contacting the GCs directly and requesting figures for number of employees, assets, turnover and taxes paid for 2005 for the head office and dependent accounting units only. These figures have been entered into the 2006 survey data. Viet Nam Airlines refused to provide the requested figures so an ad hoc fix was undertaken. Independent member companies were located in the enterprise survey and their labour, assets, turnover and tax figures subtracted from the GC totals. Nine Viet Nam Airlines members were identified, including firms in the Top 200. This method is imperfect and represents a temporary solution but does allow for a usable approximation of head office and dependent unit only figures. Ranks were then calculated based on these new figures, and new survey totals for employees, assets, turnover and taxes paid were computed.

Table 3 indicates the changes that result from adjusting the GCs that reported as corporations. There are 70,361 less employees in the enterprise survey. The same applies for the other categories. The tax category increased because VNPT reported zero tax in the enterprise survey.

To ensure that other GCs did not report in a similar way, a simple check was used. If any member company ranked higher than its parent company, then the GC did not report

Table 3: Combined Results of GC Corrections

Labour	Assets	Turnover	Tax
-70,361	-78,937,553	-49,821,512	1,073,327

Note: Assets, Turnover and Tax figures are in million VND

as a corporation. When GCs did rank higher, the figures for independent accounting member firms were subtracted from the parent company figures. If the results were negative, then the GC did not report as a corporation. These checks and corrections allow for comparison of firms in the enterprise survey.

The magnitude of the problem of reporting as corporations depends on the GC. For example, in 2005 EVN only had a few independent member companies. Its remaining members were dependent accounting units and therefore correctly included in the EVN figures following the definition of the unit of analysis. The same applies for VNPT and the state banks. They are large in 2005 in part because they have a high proportion of dependent rather than independent accounting members. However, this situation is changing as EVN and VNPT equitise member units, transforming dependent units into independent members and selling their (state) share. In future surveys, these changes will result in EVN and VNPT appearing smaller than at present.

Another area requiring manual correction relates to non-response for taxes paid figures. Two GCs, one GC member company and four 100 percent foreign firms reported zero taxes paid in 2006. These companies are:

- Viet Nam Post and Telecommunications
- Viet Nam Airlines
- Ba Ria Vung Tau Post and Telecommunications
- Tainan Spinning Co Ltd
- Pouchen Viet Nam
- Kingmaker Footwear Viet Nam Ltd
- Mabuchi Motor Viet Nam Co Ltd

The VNPT figure provided in response to the head office and dependent unit only data request was used. Since Viet Nam Airlines reported zero tax and did not return

the questionnaire, correction was not possible and it is left as zero. The remaining five firms were contacted directly. Ba Ria Vung Tau Post and Telecommunications provided a figure. Tainan Spinning provided a 'ballpark' figure, which has been included in the survey. The remaining three firms all indicated that they are still receiving tax incentives and paid little or no Corporate Income Tax (CIT) in 2005. However, they did pay other taxes, such as land taxes and VAT, but declined to provide these figures. Therefore, the taxes paid figures under-report for 100 percent foreign firms and state firms. Nevertheless, given the large size of the total figures involved, these omissions and rough figures, while preventing precision, do allow for comparison.

In the enterprise survey, 2,926 firms did not report sector of operation. In the Top 200 and Domestic Top 200, five firms did not report. Classification by sector for these firms was based on primary activity.⁸ These firms are:

- Construction Company No. 319, assigned code 4520 in sector F construction
- Phu Yen Materials Company, assigned code 5141 in sector G wholesale and retail trade
- Company No. 28, assigned code 1810 in sector D manufacturing
- Thanh An Corporation, assigned code 4520 in sector F construction

All of these firms except Phu Yen Materials Company are under the Ministry of Defence. The sector non-responses in the enterprise survey result in over-statement of the share of Top 200 firms by sector for labour, assets, turnover and tax of the enterprise survey by sector.

A final word on the location data by province. There are 64 provinces and cities in Viet Nam which are assigned province

⁸ GSO asks firms for a breakdown of activities, with primary activity forming the basis for sector classification.

codes in the enterprise survey ranging from one to 96. However, three additional codes are also present in the survey: 97, 98 and 99. Code 97 is a transpose of 79, the code for Ho Chi Minh City. Code 98 remains a mystery. Nine firms reported province code 98 in the enterprise survey. These firms were researched individually to find their location and assigned the corresponding province code.⁹ The bulk of these firms are in Hanoi. Code 99 is predominantly for those GCs that reported as GCs. Following the classification rules in the enterprise survey, discussed below, these were assigned to Hanoi since this is where their headquarters are located. However, this over-states the figures for Hanoi since these are national firms.

The enterprise survey uses the enterprise rather than the establishment as the unit of analysis. Figures for a multi-establishment enterprise are valid at the national level but not at the provincial level if the enterprise has establishments in different provinces (Jammal *et al* 2006). Many of the largest firms are multi-establishment enterprises and it is not surprising that Hanoi and

HCMC have much higher numbers of the largest firms than other provinces since this is where the headquarters tend to locate. Provincial counts are therefore misleading. Strictly speaking, this also applies to regional figures (north, center, south), although the degree of misrepresentation is reduced since less firms have multiple establishments in multiple regions.

There are several serious shortcomings with the enterprise survey data. Efforts were made to correct these where possible. Due to these limitations, interpretation of figures is rough, relying on 'nearly', 'almost', and 'around' to explain the data presented. Precision is not possible but that does render the figures meaningless. While problematic, the 2006 data are an improvement over 2005 with more detailed sector classifications and ownership types and less non-response for labour, assets, turnover and tax. However, some of this data, in particular for ownership type, is already out of date. The report therefore presents a snapshot of the largest firms in 2005.

⁹ The Viet Nam Business Directory maintained by the Ministry of Trade is an excellent searchable database of firms in Viet Nam available online. The URL is provided in the References section.



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