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# Factors Influencing Economic Recovery of Individual Household Businesses Post-Covid-19 in Vietnam

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#### Abstract

This study explores the economic recovery of 534 individual household businesses in Vietnam after the COVID-19 pandemic, focusing on five key variables: business characteristics, management capacity, external support, business environment, and economic recovery. Data were collected using a structured questionnaire and analyzed with SPSS and AMOS to identify relationships and impacts among these variables. The findings reveal that business characteristics, such as scale, sector, and experience, significantly influence recovery outcomes. Management capacity, including financial management and adaptability, is critical for overcoming challenges and enhancing resilience. External support, particularly government aid and community backing, positively impacts recovery, while the business environment, including market stability and competition, acts as a moderating factor. Economic recovery is reflected in improved revenue, profitability, and business sustainability. This study highlights the interplay between these factors and their collective impact on household business recovery. The results provide actionable insights for policymakers and business owners to develop targeted strategies, improve management practices, and enhance external collaboration to ensure sustainable recovery in the post-pandemic context.

*Keywords:* Business Characterisx; Economic recovery; Management capacity; External support; Business environment; Covid-19; Viet Nam.

# Introduction

The COVID-19 pandemic has caused unprecedented disruptions to economies worldwide, with small and individual household businesses facing significant challenges[1]. In Vietnam, household businesses represent a vital segment of the economy, contributing substantially to employment and local economic stability[2-4]. However, the pandemic exposed their vulnerabilities, including limited resources, dependence on unstable markets, and a lack of effective management strategies[1, 5]. As these businesses play a crucial role in supporting Vietnam's socioeconomic structure, understanding the factors influencing their economic recovery is of paramount importance[6].

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Economic recovery is influenced by multiple interrelated factors. Business characteristics, such as the scale, sector, and years of experience, determine a household business's ability to withstand and adapt to economic shocks[7-9]. Management capacity, including financial management, adaptability, and digital transformation, plays a critical role in ensuring resilience during crises. Externally, support from government policies, community backing, and access to financial aid can significantly enhance recovery potential. Additionally, the business environment, characterized by market stability, competition, and regulatory frameworks, shapes the speed and extent of recovery[10]. Together, these factors contribute to the economic recovery of household businesses, reflected in their ability to restore revenues, maintain profitability, and achieve sustainable operations[11, 12].

Despite the importance of these variables, limited research exists on their combined effects in the context of Vietnam's household businesses[13]. This study addresses this gap by analyzing data from 534 household businesses, employing SPSS and AMOS to examine how business characteristics, management capacity, external support, and the business environment influence economic recovery. The findings aim to provide actionable insights for policymakers, stakeholders, and business owners, facilitating targeted strategies to support sustainable recovery in the post-pandemic era[14].

# Literature and Hypotheses

The recovery of individual household businesses after the COVID-19 pandemic is a multifaceted process influenced by internal and external factors[15, 16]. This section reviews the existing literature on the key factors affecting economic recovery and develops hypotheses to examine their relationships[17]. The variables considered include business characteristics, management capacity, external support, the business environment, and their impact on economic recovery.

#### **Business Characteristics**

Business characteristics such as the scale of operations, the specific sector of activity, and the experience of the owner significantly determine the resilience and recovery capacity of individual businesses[17]. Larger businesses with more employees and financial resources have a greater capacity to absorb shocks and sustain operations during crises. They are better positioned to implement changes, access external support, and recover losses[18]. For example, businesses with a larger customer base or diverse product offerings may face less disruption during market instability. Different industries recover at varying rates due to differences in market demand and operational flexibility. For instance, essential sectors such as food and retail may recover faster compared to discretionary sectors like tourism or entertainment, which depend on consumer confidence and spending capacity[19]. Business owners with more years of experience possess better knowledge of market dynamics and crisis management strategies. Their ability to anticipate challenges and implement timely interventions enhances the recovery process[20].

H1: Business characteristics positively influence economic recovery.

# **Management Capacity**

Management capacity encompasses a business's ability to effectively allocate resources, adapt to changes, and embrace digital transformation. These factors are critical for ensuring continuity and growth during crises. Sound financial practices, such as effective cost control, cash flow management, and strategic investment decisions, help businesses withstand economic downturns

and maintain stability[21]. For example, businesses that budget wisely and manage debt efficiently are better equipped to handle revenue shortfalls[21, 22]. The ability to modify business models, operations, or product offerings in response to changing market conditions is crucial for recovery[22]. For instance, businesses that pivot to new markets or diversify their products/services can reduce dependency on a single revenue source. Leveraging technology, such as online platforms, digital marketing, or e-commerce, enables businesses to expand their customer reach and improve operational efficiency[22]. During the pandemic, businesses with digital capabilities were better positioned to serve customers and sustain revenue[20].

H2: Management capacity positively influences economic recovery.

# **External Support**

External support provides critical resources and incentives for businesses to navigate economic challenges. These supports range from government aid to community initiatives and financial assistance programs[17]. Programs such as tax relief, subsidies, or loan moratoriums reduce financial burdens on businesses, enabling them to allocate resources to recovery efforts[21]. For instance, tax breaks can free up funds for operational costs or investments in growth. Loyal customers, local organizations, and community-based programs play an essential role in sustaining businesses[21]. Examples include consumer initiatives encouraging purchases from local businesses or nonprofit organizations providing logistical support[23]. Availability of low-interest loans or grants helps businesses meet immediate financial needs and invest in long-term recovery strategies. For example, microfinance programs tailored for small businesses can address liquidity challenges during crises[24, 25].

**H3:** External support positively influences economic recovery.

# **Business Environment**

The business environment refers to external conditions, including market dynamics, competition, and regulatory frameworks, that influence the operational context of businesses[26, 27]. A stable market with consistent demand allows businesses to plan and execute recovery strategies effectively[28]. In contrast, volatile markets may delay recovery due to uncertainty and fluctuating customer behavior[29]. While competition drives innovation, excessive competition in constrained markets may hinder recovery for smaller businesses[30]. For instance, businesses operating in highly competitive sectors may struggle to regain market share. Supportive policies and streamlined regulations foster a conducive environment for business recovery. Examples include simplified licensing procedures or programs encouraging entrepreneurship in post-crisis periods[31].

H4: The business environment positively influences economic recovery.

# **Economic Recovery**

Economic recovery is the dependent variable of the study, reflecting the ability of businesses to regain stability and growth[32]. It is measured through key indicators such as: Businesses recovering economically show steady improvement in monthly or annual revenues, demonstrating their ability to attract and retain customers [32-34]. Recovery is also reflected in restored or improved profit margins, achieved through efficient cost management and strategic investments. Long-term recovery involves maintaining operational stability, ensuring continued customer satisfaction, and building resilience against future crises[34].

# 762 Factors Influencing Economic Recovery of Individual Household Businesses **Theoretical Model**

Based on the literature review, this study proposes a conceptual model examining the relationships among the variables. Business characteristics, management capacity, external support, and the business environment are hypothesized to have a direct and positive impact on economic recovery.



Figure 1: Research model

# Hypotheses:

H1: Business characteristics positively influence economic recovery.

H2: Management capacity positively influences economic recovery.

H3: External support positively influences economic recovery.

H4: The business environment positively influences economic recovery.

This detailed framework provides a foundation for empirical analysis, offering insights into the interplay between internal and external factors in shaping the recovery of household businesses. These hypotheses will be tested using SPSS and AMOS, contributing to both theoretical understanding and practical solutions for economic resilience.

# **Research Methodology**

# **RESEARCH DESIGN**

This study adopts a quantitative research design to examine the factors affecting the economic recovery of household businesses in Vietnam after COVID-19[35]. The objective is to test the relationships between business characteristics, management capacity, external support, the business environment, and economic recovery through hypotheses derived from theoretical frameworks[36]. A structured questionnaire was used to collect data from 534 household businesses, utilizing a 5-point Likert scale to measure the variables[37]. Stratified random sampling ensured representation across regions and industries heavily impacted by the pandemic, enhancing the generalizability of findings. Data analysis was conducted using SPSS for

descriptive statistics, reliability analysis, and exploratory factor analysis (EFA), while AMOS was used for confirmatory factor analysis (CFA) and structural equation modeling (SEM) to validate the proposed model[22]. Ethical considerations included obtaining informed consent from participants and ensuring confidentiality and anonymity of responses[17]. This design facilitates a systematic approach to understanding the determinants of economic recovery, offering valuable insights for policymakers and practitioners[30].

# Measures

## **Business Characteristics**

The Business Characteristics construct evaluates the operational features and capacity of individual household businesses, reflecting their ability to sustain and grow in competitive environments[38]. This variable includes five items measured using a 5-point Likert scale (1 = strongly disagree, 5 = strongly agree), designed to capture the core dimensions of business functionality and adaptability. The items include: BC1: The business has access to adequate financial resources to sustain its operations. BC2: The scale of the business aligns with current market demands, allowing competitive performance. BC3: The business demonstrates strong adaptability to changing market conditions and customer preferences. BC4: Operational processes in the business are efficient, minimizing waste and maximizing output. BC5: The business has a stable and long-standing presence in its respective market sector. These items are validated through confirmatory factor analysis (CFA) to ensure the construct's reliability and validity. The CFA model yielded satisfactory fit indices (Chi-square = 11.619; df = 5; P = 0.040; CFI = 0.994; RMSEA = 0.050), confirming the robustness of the measurement. This construct serves as a foundational element for understanding the determinants of economic recovery for household businesses

# **Management Capacity**

The Management Capacity construct assesses the ability of household business owners to efficiently manage and direct their operations toward achieving strategic objectives and sustainable growth[39]. This variable consists of six items measured on a 5-point Likert scale (1 = strongly disagree, 5 = strongly agree). The items include: MC1: The business owner demonstrates strong leadership skills in decision-making processes. MC2: The business employs effective planning strategies to address future challenges. MC3: The business utilizes resources efficiently to maximize productivity. MC4: The management team actively tracks performance and implements necessary improvements. MC5: The business engages in continuous learning and development to enhance managerial skills. MC6: The business owner effectively motivates and coordinates employees to achieve organizational goals. The CFA results confirm the construct's reliability and validity, with acceptable fit indices (Chi-square = 17.098; df = 9; P = 0.047; CFI = 0.993; RMSEA = 0.041). This construct plays a crucial role in understanding the factors influencing the economic recovery of individual household businesses.

#### **Business Environment**

The Business Environment construct evaluates the external conditions and factors that influence the operations and recovery prospects of individual household businesses[40]. This variable includes six items measured on a 5-point Likert scale (1 =strongly disagree, 5 =strongly agree). The items are as follows: BE1: The business operates in a stable and predictable market environment. BE2: The local government provides adequate support for small businesses. BE3:

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The legal and regulatory framework is conducive to business growth. BE4: The business has access to essential infrastructure and resources. BE5: The community supports local businesses. BE6: Economic conditions in the region are favorable for business development. The CFA results demonstrate strong construct validity and reliability, with excellent fit indices (Chi-square = 9.988; df = 9; P = 0.351; CFI = 0.999; RMSEA = 0.014). The business environment plays a significant role in determining the recovery and resilience of household businesses, offering valuable insights for policymakers and practitioners aiming to foster sustainable economic growth.

# **External Support**

The External Support construct examines the level and quality of assistance received by household businesses from external sources[41, 42]. This variable is measured using five items on a 5-point Likert scale (1 = strongly disagree, 5 = strongly agree). The items are as follows: ES1: The business receives adequate financial support from external sources. ES2: The local government provides meaningful assistance to the business. ES3: Support from non-governmental organizations (NGOs) has been beneficial. ES4: Business associations and networks provide valuable guidance and resources. ES5: External stakeholders are actively involved in supporting the business during challenging times. The confirmatory factor analysis (CFA) results indicate excellent construct validity and reliability, with fit indices showing strong alignment (Chi-square = 14.925; df = 5; P = 0.011; CFI = 0.993; RMSEA = 0.061). External support is critical for enhancing the recovery and sustainability of individual household businesses, highlighting the importance of collaborative efforts among various stakeholders to ensure economic resilience and growth.

#### **Economic Recovery**

Economic Recovery is a central construct of this research, reflecting the extent to which household businesses have regained stability and growth following economic disruptions[42, 43]. It is measured using seven items on a 5-point Likert scale (1 = strongly disagree, 5 = strongly agree). The items are as follows: ER1: The business has restored its revenue to pre-disruption levels. ER2: Employment levels within the business have returned to normal. ER3: The business has regained its customer base. ER4: Inventory and supply chains have stabilized post-crisis. ER5: Financial reserves have been rebuilt. ER6: Confidence in future growth has been restored. ER7: The business is able to make new investments for expansion. Confirmatory factor analysis (CFA) results confirm the validity and reliability of the Economic Recovery construct, with fit indices indicating a robust model fit (Chi-square = 35.766; df = 14; P = 0.001; CFI = 0.988; RMSEA = 0.054). This construct underscores the critical factors that determine a business's capacity to recover economically and adapt to challenges, providing a basis for interventions aimed at supporting household businesses in their recovery journey.

# **Control Variables**

Control variables are critical for accounting for potential confounding effects and ensuring the robustness of the analysis. In this study, we included age, gender, tenure, and education as control variables because previous literature has demonstrated their influence on individual and organizational outcomes, including leadership and performance metrics[44]. Age was categorized into four groups: 23–30 years old (23.03%), 30–40 years old (38.39%), 40–50 years old (19.66%), and above 50 years old (18.91%). This categorization allows for examining the

variability in economic recovery perception across different life stages. Gender was divided into male (58.05%) and female (41.95%), capturing the potential differences in perspectives and experiences related to business operations and recovery. Work tenure was segmented into four groups: below 1 year (20.04%), less than 5 years (22.85%), 5–10 years (19.85%), and 10 years or more (37.27%). Longer tenure may correlate with greater stability and resilience in business practices. Educational attainment was categorized into high school degree (19.7%), college degree (41.9%), bachelor's degree (20.4%), and master's degree (18%). Education level can significantly impact managerial decisions and strategic adaptability. By controlling for these variables, the study ensures that the observed relationships between the main constructs are not confounded by demographic or experiential factors. This approach enhances the validity and generalizability of the findings.

Characteristics	Frequency	Percent
age		
From 23 to 30 years old	123	23.03
From 30 to 40 years old	205	38.39
From 40 to 50 years old	105	19.66
Above 50 years old	101	18.91
Gender		
Male	310	58.05
Female	224	41.95
Tenure		
Below 1 years	107	20.04
<5 years	122	22.85
5 to <10 years	106	19.85
≥10 years	199	37.27
Education		
high-school degree	105	19.7
college degree	224	41.9
Bachelor degree	109	20.4
Masters	96	18

Table 1: Sample demographic	s
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# Results

#### **Descriptive Statistics**

The means, standard deviations, and Pearson correlations of all the key variables are presented

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in Table 1. As shown, Business Characteristics (BC) was positively correlated with Management Capacity (MC) (r = .094, p < .05) and External Support (ES) (r = .533, p < .01). Additionally, Management Capacity (MC) was positively related to External Support (r = .094, p < .05).

External Support (ES) showed a significant positive correlation with Business Environment (BE) (r = .461, p < .01) and Economic Recovery (ER) (r = .372, p < .01). Economic Recovery (ER) was significantly positively related to Business Characteristics (r = .155, p < .01) and Management Capacity (r = .340, p < .01).

Regarding the control variables, age was not significantly related to any key variable. Gender showed a weak positive correlation with age (r = .089, p < .05), while tenure showed weak negative relationships with External Support (r = -.086, p < .05). Education did not have significant correlations with the primary variables.

These findings suggest that the key variables are interrelated, with significant relationships observed among several dimensions, such as Business Characteristics, Management Capacity, External Support, and Economic Recovery.

	Mean	Std. Deviation	BC	мс	ES	BE	ER	age	Gender	Tenure	Education
BC	3.71	.608	1								
MC	3.80	.612	.094*	1							
ES	3.82	.668	.533**	.031	1						
BE	3.72	.594	.046	.461**	.053	1					
ER	3.96	.608	.155**	.340**	.146**	.372**	1				
age	2.34	1.033	.004	028	.000	037	020	1			
Gender	1.42	.494	.032	.054	.018	003	.089*	019	1		
Tenure	2.74	1.157	056	.002	086*	.004	042	072	.080	1	
Education	2.37	.993	.017	.021	.019	.030	005	049	001	006	1

 Table 2: Descriptive statistics, correlations and scale reliabilities

 \*. Correlation is significant at the 0.05 level (2-tailed).

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

#### **Convergent and Discriminant Validity**

To assess convergent validity, the standardized factor loadings of all items were examined. As shown in Table 3, the factor loadings for all items exceeded the threshold of 0.5, with most items surpassing 0.7, indicating adequate convergent validity. Additionally, the Cronbach's alpha values for all constructs were above 0.7, confirming internal consistency reliability.

Chi-square=591.320 ; df=367 ; P=.000 ; Chi-square/df=1.611; IFI=.971 ;GFI=.930; AGFI=.917; NFI=.928; TLI=.968 ;CFI=.971; RMSEA=.034; RMR=.024



Figure 2 Confirmatory factor analysis.

Discriminant validity was evaluated using the correlations among constructs and ensuring that each construct was distinct. Figure 2 illustrates the measurement model, which achieved good model fit indices: Chi-square = 591.320, df = 367, p < 0.001, Chi-square/df = 1.611, GFI = 0.930, AGFI = 0.917, NFI = 0.928, TLI = 0.968, CFI = 0.971, RMSEA = 0.034, and RMR = 0.024. These fit indices demonstrate that the measurement model aligns well with the observed data, supporting the discriminant validity of the constructs.

Thus, the constructs exhibit both convergent and discriminant validity, confirming the appropriateness of the measurement scales used in the study.

	Factor (KM0= .910)						
	Business Characterisx tics	Business Environment	External Support	Management Capacity	Economic Recovery	Cronbach's Alpha	
BC3	.874						
BC4	.846						
BC5	.633					.843	
BC1	.601						
BC2	.559						
BE3		.861					
BE6		.802					
BE1		.761				806	
BE2		.761				.090	
BE4		.705					
BE5		.690					

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ES1		.944			
ES5		.881			
ES2		.697			.874
ES3		.658			
ES4		.580			
MC3			.855		
MC2			.853		
MC5			.673		052
MC1			.669		.853
MC4			.553		
MC6			.540		
ER4				.794	
ER1				.792	
ER5				.758	
ER2				.739	.896
ER7				.717	
ER3				.705	
ER6				.690	
•	Extraction Meth	od: Principal A	xis Factoring.	ł	
	Rotation Method: Pr	omax with Kais	ser Normalizatio	on.	
	a. Rotation c	converged in 6 i	terations.		

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Table 3 Item loading of the latent constructs

# **Hypothesis Testing**

**H1:** Business Characteristics  $\rightarrow$  Economic Recovery (Direct Effect = 0.41, Supported)

Business characteristics, such as the size, sector, and financial stability, significantly influence economic recovery. Households with robust foundational characteristics are better positioned to adapt to market dynamics and recover quickly from economic disruptions. The strong positive effect (0.41) indicates that these factors are crucial in driving recovery.

**H2:** Management Capacity  $\rightarrow$  Economic Recovery (Direct Effect = 0.20, Supported)

The ability of a business owner to plan, organize, and lead effectively is critical for economic recovery. The positive effect (0.20) highlights how strong management skills help businesses navigate challenges, make informed decisions, and seize opportunities to bounce back from crises.

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H3: Business Environment \rightarrow Economic Recovery (Direct Effect = 0.30, Supported)
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A conducive business environment, characterized by supportive government policies, market opportunities, and fair competition, plays a vital role in facilitating economic recovery. The

moderate positive effect (0.30) shows that external environmental factors provide essential support for households to reestablish their operations.

**H4:** External Support  $\rightarrow$  Economic Recovery (Direct Effect = -0.15, Supported)

Interestingly, external support negatively impacts economic recovery in this context. This finding (-0.15) may suggest that overreliance on external assistance can hinder the development of self-sufficiency and resilience, leading to slower or less sustainable recovery outcomes.



Figure 3 Results of structural equation model

Goodness-of-fit statistics for the structural model confirm the model's adequacy: Chi-square = 665.256, Chi-square/df = 368, GFI = 921, AGFI = 0.906, NFI = 0.919, TLI = 0.958, CFI = 0.962, RMSEA = 0.039, and RMR = 0.034. These results underline the importance of internal strengths such as business characteristics and management capacity, while also recognizing the influence of external factors like the business environment and external support. Policymakers and practitioners should focus on enhancing management capacity and creating a favorable business environment while avoiding dependency on external support to foster sustainable economic recovery.

Hypothesis	Relationship	Direct Effect	Result
H1	Business Characterisx→ Economic Recovery	0.41	Supported
Н2	Management Capacity→ Economic	0.2	Supported
112	Business Environmentx→ Economic	0.2	Supported
H3	Recovery	0.3	Supported

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H4	External Support→ Economic Recovery	-0.15	Supported				
Goodness of fit $0.906$ , NFI = $0$	Goodness of fit statistics: Chi-square = 665.256, Chi-square/df = 368, GFI = 921, AGFI = 0.906, NFI = 0.919, TLI = 0.958, CFI = 0.962, RMSEA = 0.039, and RMR = 0.034						

Table 4: The structural model results

# **Discussion, Implications and Conclusion**

#### Discussion

This study explored the factors influencing the economic recovery of household businesses post-COVID-19, with a particular focus on business characteristics, management capacity, business environment, and external support[45]. The findings revealed that business characteristics and management capacity have strong positive impacts on economic recovery, emphasizing the internal resilience and adaptability of household businesses. The business environment also positively influences recovery, suggesting the need for a supportive and enabling external environment[46]. Interestingly, external support exhibited a negative relationship with economic recovery, indicating that overreliance on external assistance may deter long-term resilience and self-sufficiency.

These findings align with prior studies emphasizing the role of internal and external factors in economic resilience but offer new insights into the unintended consequences of external support. They highlight the nuanced interplay between self-reliance and external interventions, suggesting that excessive dependency on aid may hinder proactive recovery strategies.

#### Implications

This research extends the literature on economic recovery by integrating the perspectives of household businesses in Vietnam, a sector often underrepresented in resilience studies. The findings contribute to understanding the complex dynamics of internal and external factors influencing recovery, particularly the paradoxical role of external support[47].

For policymakers, the results highlight the importance of creating a conducive business environment that supports household businesses without fostering dependency. Training programs to enhance management capacity and targeted support for businesses with weaker foundational characteristics could foster resilience. External aid should focus on capacitybuilding rather than direct financial support to encourage sustainable recovery.

For business owners, the findings stress the importance of improving internal competencies, such as management skills, and leveraging opportunities in the external environment to build long-term resilience.

# Conclusion

This study underscores the critical roles of business characteristics, management capacity, and the business environment in driving economic recovery among household businesses. While external support remains essential, its negative impact indicates the importance of designing support mechanisms that empower self-reliance. Policymakers and practitioners must balance providing external aid with fostering internal capabilities to enable sustainable recovery. Future research should explore the mechanisms through which external support influences recovery,

considering variations across different economic contexts and business types. This will further enrich the understanding of post-crisis resilience and guide more effective recovery strategies.

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