“Impact of government support policies on firm performance of Vietnam’s small and medium tourism enterprises: The mediating role of competitive advantage”

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IMPACT OF GOVERNMENT SUPPORT POLICIES ON FIRM PERFORMANCE OF VIETNAM'S SMALL AND MEDIUM TOURISM ENTERPRISES: THE MEDIATING ROLE OF COMPETITIVE ADVANTAGE

Abstract

The government plays a decisive role in the general stability and sustainable development of the business community and tourism enterprises in particular. The recent Covid-19 pandemic has served as clear evidence of the government's crucial support for tourism businesses. This study was conducted to explore and measure the impact of government support on the firm performance of small and medium tourism enterprises in Vietnam from the perspective of business leaders. Data were collected based on a survey of 798 leaders working in small and medium tourism enterprises. The results showed that government support before, during, and after the Covid-19 pandemic, through tax policies, credit policies, legal procedure support policies, and labor and social welfare policies, positively influenced firm performance through the mediating role of enhancing competitive advantage. However, this study found that digital transformation in small and medium-sized tourism enterprises had an insignificant impact on improving competitive advantage and firm performance. The results contribute to enriching the overall theory and provide policy and managerial implications for stakeholders in the future.

Keywords government support, firm performance, small and medium enterprises, tourism, competitive advantage, emerging countries, legal policies

JEL Classification G38, L25, L53, K40, M29

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INTRODUCTION

The recent Covid-19 pandemic has demonstrated the immense impact of various force majeure events that can severely disrupt the continuity of business operations in different economies worldwide. It interrupted supply chains, hindered trade flows, and brought production, business, and service activities to a standstill. The pandemic also directly affected industries such as import-export, aviation, tourism, labor, and employment, with many businesses going bankrupt, dissolving, temporarily suspending operations, or downsizing. However, the new normal of the post-pandemic economy has witnessed a remarkable recovery of the business community, especially in the tourism sector – one of the hardest-hit industries by Covid-19. A key factor contributing to this recovery has been the significant role of government support through a range of policies implemented both during and after the pandemic. These policies were diverse, including tax exemptions and reductions, interest rate adjustments,

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access to preferential credit sources, welfare and social security policies for enterprise employees, streamlining and shortening business-related legal procedures, emergency subsidies, and various other support measures.

In recent times, many studies have examined the impact of government support on the performance of businesses in general and tourism enterprises in particular across various countries, including Vietnam – an emerging economy in Asia. Most of these studies utilized secondary data from enterprises to assess the effect of government support on business performance before, during, and after the Covid-19 pandemic. However, upon reviewing the research related to this topic, it becomes evident that studies using primary data gathered through surveys and interviews with tourism business leaders, especially those from small and medium enterprises (SMEs), remain quite limited. Empirical studies on tourism SMEs in emerging economies using structural equation modeling approaches such as CB-SEM and PLS-SEM are still relatively scarce.

Based on these gaps, this study was conducted to measure the impact of government support on the performance of small and medium tourism enterprises (SMTEs) in Vietnam in the post-Covid-19 period, as perceived by business leaders. The results may contribute to diversifying the theoretical framework with a structural model and a 7-point Likert scale while also providing policy and managerial implications for stakeholders.

1. LITERATURE REVIEW AND HYPOTHESES

Government support for businesses is understood as the coordinated implementation of policies by authorized agencies, from the central to local levels, to help businesses mitigate and respond to negative impacts caused by various factors such as natural disasters, pandemics, and financial crises, and gradually recover their production and business activities. Government support can essentially be divided into two types: financial support and non-financial support. These support policies significantly influence the sustainable competitive position and performance of businesses, especially SMEs, thereby fostering economic growth and sustainability (Yang et al., 2018) and positively contributing to the total tax revenue for the state budget (Huong & Cuong, 2019).

Government support in the form of financial policies is reflected through various tax-related policies, such as tax exemptions, reductions, and preferential tax rates, as well as credit support policies like concessional loans, interest rate reductions, credit guarantees, and investment incentives. These financial policies enhance competitive capacity and promote the financial performance of businesses. This is a crucial policy for the development of Vietnam's private SMEs (Nguyen et al., 2018). On the other hand, non-financial government support is manifested through labor and social welfare assistance policies, including improving the education level of business owners and employees, ensuring gender equality, and providing unemployment insurance, social welfare benefits, income subsidies, and employment programs. Additionally, government support includes policies that improve and streamline the legal procedures that businesses and workers must comply with. This type of support also contributes to enhancing the competitive advantage and firm performance of SMEs (Xuan et al., 2020). Moreover, some studies suggest that government support moderates the relationship between a company's financial resources, inter-firm collaboration, and the performance of SMEs (Hai & Tron, 2023). Thus, government support can essentially be classified into four main policies: (1) tax policy support, (2) credit policy support, (3) labor and social welfare policy support, and (4) legal and procedural policy support.

Meanwhile, competitive advantage is a term that has been approached from various perspectives. According to Wiggins and Ruefli (2002), competitive advantage is defined as a characteristic (or set of characteristics), resource (or set of resources), or capability (or set of capabilities)

that allows a company to gain an edge over its competitors, enabling the business to sustain positive results in the long term. According to the resource-based theory, when a company possesses unique or rarer resources compared to other companies, it means that the business has a competitive advantage (Peteraf, 1993). For businesses in general, and SMTEs in particular, achieving a competitive advantage in business is not easy. This is because these types of businesses often face limitations in terms of financial resources, human capital, and strategic capabilities. Therefore, during crises, they are the ones that require government support to ensure their survival, stability, and growth. Many studies have demonstrated the role of government support through government loans, guarantees, and equity investments in enhancing the overall competitive advantage of companies, thereby impacting firm performance, especially newly established firms (Pergelova & Angulo-Ruiz, 2014).

Regarding the performance of SMEs, most researchers agree that business performance refers to the extent to which a company achieves its set objectives (Hult et al., 2004). Businesses' performance, including that of tourism companies, is evaluated through both financial and non-financial metrics. Financial metrics encompass factors such as revenue growth, profitability, return on assets, and return on equity. Non-financial indicators may include market share growth, customer satisfaction, service quality, employee job satisfaction, and employee loyalty (Kantur, 2016; Işeri-Say et al., 2008). Most studies suggest that government support, particularly financial assistance, contributes to enhancing competitive advantage and improving both the financial performance and overall operations of SMTEs. Khanh et al. (2023), Songling et al. (2018), and Yanuarni et al. (2024) show notable examples of such correlations. However, not all government policies and support measures necessarily impact the performance of SMEs, as perceived by business leaders in Vietnam (Nguyen & Wongsurawat, 2012). Moreover, according to Yanuarni et al. (2024), regardless of the feasibility of government support, independently managed SMEs are more likely to implement improvements and are less reliant on external support during their recovery from the Covid-19 pandemic.

Finally, there is digital transformation in tourism enterprises, a term that encompasses diverse perspectives. Tussyadiah (2020) defines digital transformation in tourism as the process of leveraging digital technologies to innovate business models, develop smart tourism products, and enhance sustainability and firm performance. In contrast, Sigala (2020) views digital transformation in the tourism industry as the application of digital technologies, such as artificial intelligence, big data, and the Internet of Things, to change the way tourism services are operated, managed, and delivered, aiming to enhance customer experience, optimize processes, and improve competitive advantage. Many studies agree with the conclusion that digital transformation impacts not only competitive advantage but also business orientation and performance through direct, intermediary, or moderating relationships (Shehadeh et al., 2023; Liu et al., 2024; Bilgili & Koc, 2021).

Following the literature review, the purpose of this study is to measure the impact of government support on the performance of SMTEs, with competitive advantage playing an intermediary role. Furthermore, it seeks to assess the moderating impact of digital transformation on the relationship between competitive advantage and firm performance. The theoretical research model is presented in Figure 1, and the following hypotheses are proposed:

H_1: *Government support through tax policies has a positive impact on the competitive advantage of SMTEs.*

H_{1a}: *Competitive advantage positively mediates the relationship between government support through tax policies and the performance of SMTEs.*

H_2: *Government support through credit policies has a positive impact on the competitive advantage of SMTEs.*

H_{2a}: *Competitive advantage positively mediates the relationship between government sup-*

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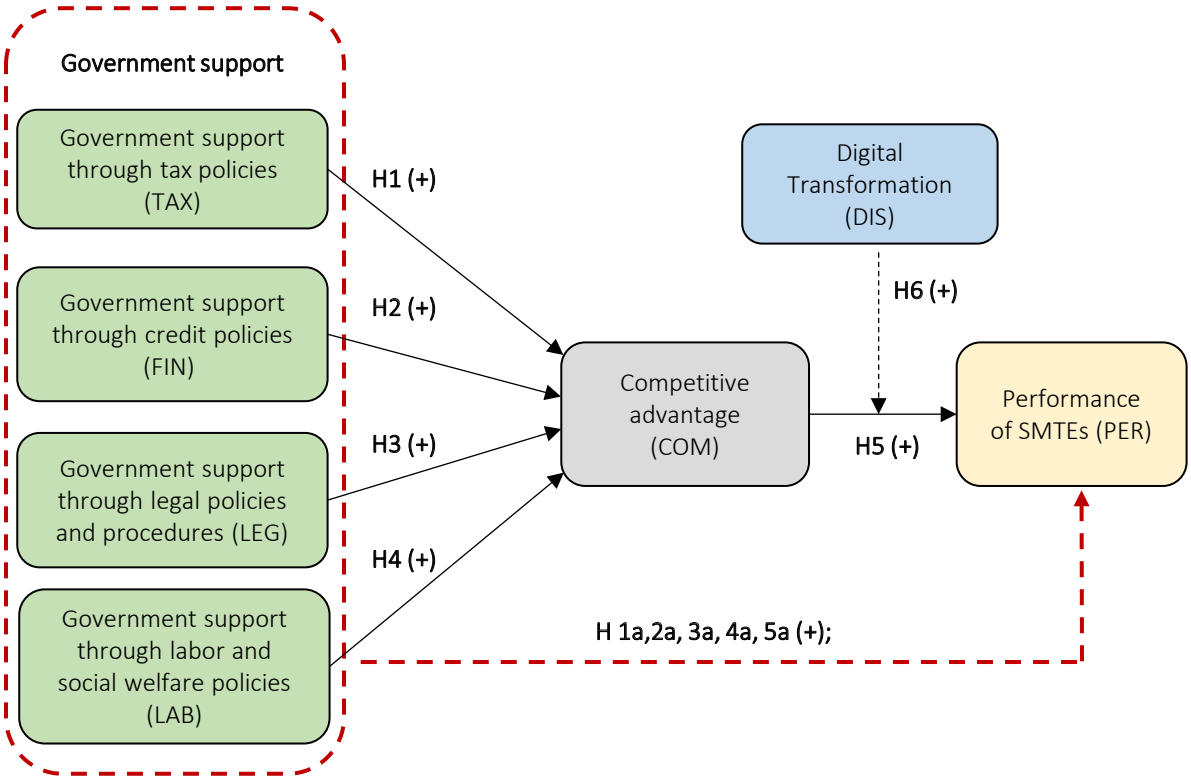

Note: Direct relationship: Black line; Moderating relationship: Red dotted line.

Figure 1. Conceptual model

port through credit policies and the performance of SMTEs.

H_3: *Government support through legal policies and procedures has a positive impact on the competitive advantage of SMTEs.*

H_{3a}: *Competitive advantage positively mediates the relationship between government support through legal policies and procedures and the performance of SMTEs.*

H_4: *Government support through labor and social welfare policies has a positive impact on the competitive advantage of SMTEs.*

H_{4a}: *Competitive advantage positively mediates the relationship between government support through labor and social welfare policies and the performance of SMTEs.*

H_5: *Competitive advantage has a positive impact on the performance of SMTEs.*

H_6: *Digital transformation positively moderates the relationship between competitive advantage and the performance of SMTEs.*

2. METHODOLOGY

The study was conducted following a sequence of steps, including:

(1) reviewing the literature and developing the initial research model and hypotheses;

(2) conducting in-depth expert interviews and group discussions to refine the model and research scales;

(3) conducting a preliminary survey to assess the reliability of the scales and finalize the official questionnaire;

(4) conducting the official quantitative survey and collecting, screening, processing, and analyzing the data;

(5) discussing the research findings and providing implications.

As previously discussed, the theoretical framework for this study is built on a thorough review of existing literature. Drawing from institutional theory, the model explores the impact of government policies and support on the performance of enterprises within the economy. The model comprises four independent variables, one mediating variable, one dependent variable, and one moderating variable. The research scales are adapted from several previous studies, including those by Kantur (2016), Işeri-Say et al. (2008), Anwar (2018), and Songling et al. (2018).

Based on the initial research model and hypotheses, 10 experts and 20 managers were selected to participate in the evaluation and refinement of the research model and scale. The 10 chosen experts have over 15 years of experience in government agencies related to tax, credit, social welfare, and legal policies for businesses and hold a Ph.D. or higher academic qualifications. Additionally, the 20 managers are currently employed in SMTEs in the South-Central region of Vietnam. These managers are required to have at least 10 years of experience in directly managing and running tourism businesses. The 20 managers were divided into two groups for in-depth discussions on the content of the research scale items. Participation in the study by both experts and managers was entirely voluntary, confirmed through signed consent forms. In return, confidentiality was assured by the research team, and the data were used solely for research purposes. The research scale was subsequently revised, refined, and expanded based on the findings from expert interviews and group discussions. Initially, the scale consisted of 26 items, but after the refinement process, it was expanded to 35 items for use in the subsequent official survey.

To verify the reliability of the questionnaire after adjustments based on the in-depth interviews and group discussions with experienced experts and managers, 120 questionnaires were distributed and collected. The data were then entered into SPSS for analysis, focusing on Cronbach's alpha and exploratory factor analysis (EFA) to evaluate the reliability and convergence of the items within each factor. The results of the EFA showed that all 35 items were valid and met the reliability criteria. This confirms that the research scale is fully qualified for the larger-scale official survey (Table 1).

The official questionnaire was designed based on the research scale with 35 observations, presented in both printed paper form for direct distribution and as a Google Form for online surveys via the internet. According to Hair et al. (2014), for studies using a Likert scale, a 5-point or 7-point scale is recommended for greater accuracy, and the appropriate sample size for PLS-SEM model analysis should exceed 200 samples. In this study, a 7-point Likert scale was used (where 1 = strongly disagree and 7 = strongly agree), and the expected survey sample size was set to five times the minimum sample size.

As a result, 1,000 SMTEs were randomly selected from a list managed by the departments of tourism, taxation, and labor, invalids, and social affairs in the South Central Coast region of Vietnam. According to the guidelines of Decree 80/2021/ND-CP dated August 26, 2021, issued by the Vietnamese government, a medium-sized enterprise in the tourism service sector is defined as one that employs an average of no more than 100 workers participating in social insurance and has a total annual revenue of no more than 300 billion VND or a total capital of no more than 100 billion VND. For small enterprises, the criteria are a maximum of 50 employees and a total annual revenue of no more than 100 billion VND or a total capital of no more than 50 billion VND.

The participants in the study must be managers at various levels, with a minimum position from department head to management and board of directors of the enterprise. Each enterprise is represented by one manager who responded to the questionnaire sent via email or direct mail. From February 2024 to September 2024, a total of 810 enterprises participated in the survey and completed the questionnaire, resulting in a response rate of 81%. After entering the data into SPSS and reviewing the information, 21 responses were eliminated due to missing information and invalidity, accounting for 2.5% of the total responses. Ultimately, 798 valid responses were included for processing and data analysis using SmartPLS 4.0. Table 2 provides a comprehensive overview of the study sample. Regarding gender, female managers accounted for 55.14%. In terms of educational background, most managers held either

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Table 1. Measurement summary

Symbol	Scales	Sources
	Government support through tax policies (TAX)	
TAX1	Reducing the tax rates for certain mandatory taxes that businesses are required to pay, such as corporate income tax, value-added tax, and environmental protection tax	Expert opinion, Author's development
TAX2	Reducing the fees and charges that businesses are required to pay	
TAX3	Tax exemptions for businesses and employees in localities directly affected by the pandemic (corporate income tax, import tax, personal income tax, etc.)	
TAX4	Extension of the deadline for businesses to submit taxes, fees, and charges	
TAX5	Waiver of late payment penalties for businesses on taxes, fees, and charges	
	Government support through credit policies (FIN)	
FIN1	Restructuring the repayment term, waiving or reducing interest and fees, and maintaining the debt group for businesses that have borrowed funds for their operations	Expert opinion, Author's development
FIN2	Supporting interest rates on loans under the government's, local authorities', or state-owned credit institutions' preferential credit programs	
FIN3	Obtaining preferential loans through the enterprise development fund or designated state-owned commercial banks	
FIN4	Providing credit guarantees for businesses through the credit guarantee fund established by the government	
FIN5	Monetary assistance for businesses directly impacted by the pandemic conditions	
	Government support through legal policies and procedures (LEG)	
LEG1	Developing and allowing the exploitation of a legal normative document database to support the production and business activities of enterprises	Expert opinion, Author's development
LEG2	Introducing and disseminating legal normative documents to enterprises	
LEG3	Providing legal knowledge training for enterprises, managers, and employees within the organization	
LEG4	Providing legal advice for businesses	
LEG5	Receiving recommendations and feedback from businesses on improving the law	
LEG6	Providing legal support in resolving disputes related to business operations and production	
LEG7	The government allocates funding for legal support activities for businesses	
	Government support through labor and social welfare policies (LAB)	
LAB1	Providing training, refresher courses, and skill enhancement to maintain employment for workers in the business.	Expert opinion, Author's development
LAB2	Supporting wages and social security through exemptions, reductions, and extensions of the payment deadlines for social insurance, unemployment insurance, health insurance, labor accident insurance, occupational disease insurance, retirement funds, death benefits, and trade union funds	
LAB3	Supporting wages and social security through loans to businesses for paying salaries	
LAB4	Financial support for employees during unpaid leave or termination of employment without insurance	
LAB5	Rental assistance for employees	
	Competitive advantage (COM)	
COM1	Our company is making significant efforts to build a strong brand	Anwar (2018), Songling et al. (2018)
COM2	The process of developing our company's services provides exceptional benefits to our customers	
COM3	Our company successfully differentiates itself from competitors through effective advertising and promotional campaigns	
COM4	We consistently offer a distinctive advantage to customers who choose our services	
	Performance of SMTEs (PER)	
PER1	The company's revenue has been growing over the years	Kantur (2016), Işeri-Say et al. (2008); Expert opinion
PER2	The company's profits have been growing over the years	
PER3	The quality of service is continually improving based on assessments from stakeholders	
PER4	Employee job satisfaction has been continuously increasing over the years	
PER5	Customer satisfaction has been continuously increasing over the years/with each use of the service	
	Digital Transformation (DIG)	
DIG1	Our company is prioritizing investment in digital technology innovation and bolstering security to a greater extent than before	Expert opinion, Author's development
DIG2	Our company has been consistently implementing tools such as AI and chatbots to engage with potential and current customers	
DIG3	Our company is investing in virtual tour and interactive tour technology to promote our products and services	
DIG4	Our company continuously improves and innovates its services to provide the best possible experience for our customers	

a bachelor's or a postgraduate degree, with proportions of 41.19% and 40.43%, respectively. In terms of age, 39.67% were between 30 and under 45 years old, while 35.23% were between 45 and under 60 years old. Additionally, in terms of job positions, 46.26% of the survey participants held positions as heads of important departments in SMTEs, while 23.96% were members of the board of directors/managers.

Table 2. Summary statistics of the samples

Information of samples	Frequency	Percentage
Gender		
Male	358	44.86
Female	431	55.14
Degree Status		
Undergraduate	145	18.38
Bachelor/Engineer or equivalent	325	41.19
Postgraduate	319	40.43
Level		
Board of Directors/Manager	189	23.96
Department manager (Head of Department)	365	46.26
Section manager (Head of Division)	235	29.78
Age		
Under 30 years	123	15.58
From 30 to under 45 years	313	39.67
From 45 to under 60 years	278	35.23
Over 60 years	75	9.52

In this study, the PLS-SEM model was used for data analysis because, according to Henseler et al. (2015), this model has advantages such as avoiding issues related to small sample sizes and non-normally distributed data, being suitable for predictive-oriented research, and being able to estimate complex research models with multiple mediating, latent, and observed variables, especially structural models. When applying the PLS-SEM model, evaluation must be conducted in two steps: assessing the measurement model and evaluating the structural model (Henseler & Chin, 2010).

3. RESULTS

3.1. Evaluation of the measurement model

In order to evaluate the structural model using SmartPLS, following Hair et al. (2014), the measurement model is first assessed by examining the reliability, convergent validity, and discriminant validity of the constructs. Afterward, the structural model is evaluated through the following steps: (1) checking for multicollinearity, (2) determining the coefficient of determination (R^2), (3) assessing the effect size (f^2), (4) evaluating predictive relevance (Q^2), and (5) testing the path coefficients for the relationships within the model.

The reliability of the measurement model is assessed by examining the outer loading coefficient for all observations, along with Cronbach's alpha and composite reliability. Hu and Bentler (1999) noted that these coefficients should equal or exceed 0.7. Meanwhile, convergent validity is evalu-

Table 3. Descriptive statistics, internal reliability, and convergent reliability

Constructs	Items	Outer Loading	Mean	Cronbach's Alpha	C.R	AVE
Tax policies for enterprises (TAX)	TAX1	0.788	4.449	0.841	0.849	0.611
	TAX2	0.770	4.375			
	TAX3	0.773	4.469			
	TAX4	0.813	4.464			
	TAX5	0.762	4.503			
Credit policies for enterprises (FIN)	FIN1	0.847	3.673	0.883	0.888	0.680
	FIN2	0.818	3.591			
	FIN3	0.835	3.777			
	FIN4	0.802	3.748			
	FIN5	0.821	3.748			
Legal policies and procedures for enterprises (LEG)	LEG1	0.838	4.752	0.863	0.869	0.593
	LEG2	0.753	4.740			
	LEG3	0.750	4.724			
	LEG4	0.790	4.719			
	LEG6	0.770	4.763			
	LEG7	0.715	4.850			

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Table 3 (cont.). Descriptive statistics, internal reliability, and convergent reliability

Constructs	Items	Outer Loading	Mean	Cronbach's Alpha	C.R	AVE
Labor and social security policies (LAB)	LAB1	0.831	4.560	0.864	0.866	0.648
	LAB2	0.788	4.540			
	LAB3	0.785	4.549			
	LAB4	0.799	4.513			
	LAB5	0.820	4.496			
Competitive advantage (COM)	COM1	0.858	4.749	0.895	0.895	0.760
	COM2	0.878	4.755			
	COM3	0.874	4.787			
	COM4	0.876	4.791			
SME performance (PER)	PER1	0.807	4.773	0.877	0.877	0.670
	PER2	0.826	4.782			
	PER3	0.800	4.812			
	PER4	0.815	4.829			
	PER5	0.843	4.815			
Digital transformation (DIG)	DIG1	0.839	4.589	0.868	0.872	0.717
	DIG2	0.866	4.646			
	DIG3	0.859	4.617			
	DIG4	0.821	4.599			

Note: CR: Composite Reliability; *AVE:* Average Variance Extracted.

ated using the average variance extracted (AVE), which must also be greater than or equal to 0.5, as established by Fornell and Larcker (1981). Based on the results from the first analysis, observation LEG5 has an outer loading coefficient of 0.389 < 0.7, so it was excluded. A second analysis was conducted after removing the variable LEG5, and the results in Table 3 show that all 34 observations have outer loadings ranging from 0.715 to 0.878, which are all greater than 0.7. This indicates that the observations in the model achieve reliability. Additionally, Cronbach's alpha values range from 0.841 to 0.895, and the composite reliability of the constructs ranges from 0.849 to 0.895, all exceeding 0.7. The AVE values vary from 0.593 to 0.760, all exceeding 0.5. Hence, the scales utilized in the study demonstrate convergent validity.

For the discriminant validity between the constructs, the criterion set by Henseler et al. (2015) states that the HTMT ratio must be greater than 0.85 for assessment. The results in Table 4 show that the HTMT coefficients between the pairs of variables are all < 0.85. Therefore, the constructs achieve discriminant validity.

3.2. Evaluation of the PLS-SEM structural model

To evaluate the PLS-SEM structural linear model, it is crucial to examine multicollinearity, assess the model's fit with the actual data collected, and evaluate the model's predictive ability. Typically, indicators such as inner VIF must satisfy the condition of being less than 3, and the SRMR coefficient must be less than 0.08, according to the standards

Table 4. The HTMT coefficient between pairs of variables

Constructs	COM	DIG	FIN	LAB	LEG	PER	TAX
COM							
DIG	0.292						
FIN	0.378	0.177					
LAB	0.368	0.076	0.127				
LEG	0.370	0.148	0.197	0.380			
PER	0.602	0.344	0.384	0.313	0.463		
TAX	0.412	0.208	0.246	0.204	0.292	0.534	

Note: TAX = Tax policies for enterprises; FIN = Credit policies for enterprises; LEG = Legal policies and procedures for enterprises; LAB = Labor and social security policies; COM = Competitive advantage; PER = SME performance; DIG = Digital transformation.

set by Hu and Bentler (1999). Additionally, higher values of R^2 (the accuracy of the predictions) and Q^2 (the relevance of the predictions) indicate that the model is meaningfully explained by the constructed factors (Hair et al., 2019). According to Table 4, the inner VIF coefficients range from 1.065 to 1.207 (< 3), and the SRMR coefficient is 0.042 (< 0.07). This indicates that the model does not exhibit multicollinearity and aligns well with the collected data. Furthermore, R^2 values are 0.286 and 0.318, indicating that 28.6% of the competitive advantage and 31.8% of the firm performance of SMTEs are influenced by government support.

Meanwhile, the f^2 coefficient indicates the strength of the impact of independent variables on the dependent variable. According to Cohen (1988), $f^2 < 0.02$ indicates an extremely small or negligible effect, $0.02 \leq f^2 \leq 0.15$ indicates a small effect, $0.15 \leq f^2 \leq 0.35$ indicates a medium effect, and $f^2 \geq 0.35$ indicates a large effect. Based on the f^2 coefficient results presented in Table 4, digital transformation (DIG) in SMTEs has a negligible impact on the relationship between competitive advantage (COM) and firm performance (PER). Government support has a small effect on enhancing competitive advantage (FIN, LAB, LEG, TAX → COM). In contrast, competitive advantage has a medium effect on firm performance (COM → PER).

To evaluate the direct and indirect impact relationships outlined in the research hypotheses, path coefficients and *p*-values are employed. Furthermore, to generalize the findings to the broader population, the model must undergo reliability testing using the Bootstrap method with a sample size of 5,000 repetitions (Hair et al., 2014). The results of the hypothesis testing are illustrated in Table 5 and Figure 2.

Table 5. Structural model evaluation

Constructs/ Path	Inner VIF	f^2	R^2	R^2 adjusted	Q^2
COM			0.286	0.282	0.214
PER			0.318	0.315	0.211
COM → PER	1.120	0.293			
FIN → COM	1.065	0.075			
LAB → COM	1.136	0.050			
LEG → COM	1.177	0.034			
TAX → COM	1.106	0.070			
DIG x COM → PER	1.226	0.006			

Note: TAX = Tax policies for enterprises; FIN = Credit policies for enterprises; LEG = Legal policies and procedures for enterprises; LAB = Labor and social security policies; COM = Competitive advantage; PER = SME performance; DIG = Digital transformation.

Table 6. Testing direct and indirect impacts

Path	Hypothesis	Original sample	Standard deviation	P values	Confidence interval		Decision on hypothesis
					2.5%	97.5%	
Total direct effects							
COM → PER	H5	0.474	0.027	0.000	0.418	0.525	Accept
FIN → COM	H2	0.238	0.031	0.000	0.175	0.297	Accept
LAB → COM	H4	0.200	0.031	0.000	0.142	0.265	Accept
LEG → COM	H3	0.170	0.034	0.000	0.100	0.232	Accept
TAX → COM	H1	0.235	0.032	0.000	0.172	0.298	Accept
DIG x COM → PER	H6	0.058	0.026	0.026	0.007	0.109	Accept
Total indirect effects							
FIN → COM → PER	H2a	0.112	0.016	0.000	0.081	0.144	Accept
LAB → COM → PER	H4a	0.096	0.016	0.000	0.067	0.127	Accept
LEG → COM → PER	H3a	0.078	0.017	0.000	0.046	0.114	Accept
TAX → COM → PER	H1a	0.111	0.018	0.000	0.077	0.147	Accept

Note: TAX = Tax policies for enterprises; FIN = Credit policies for enterprises; LEG = Legal policies and procedures for enterprises; LAB = Labor and social security policies; COM = Competitive advantage; PER = SME performance; DIG = Digital transformation.

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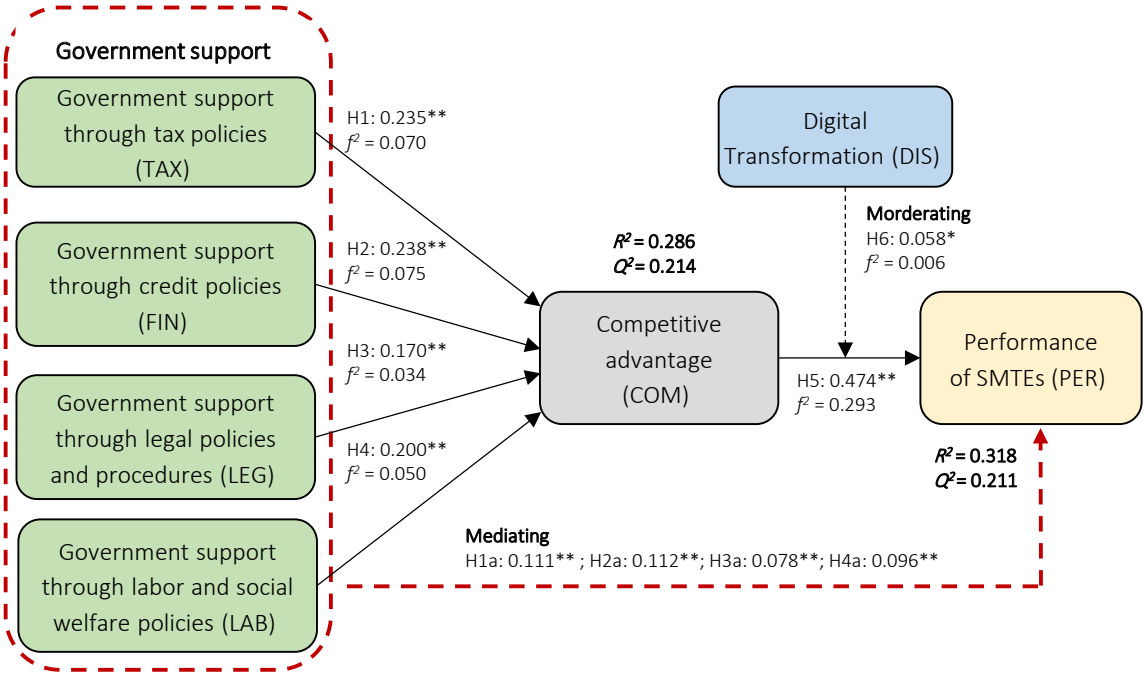

Note: Direct relationship: Black line; Moderating relationship: Red dotted line; ** p <0.01; * p <0.05.

Figure 2. Testing the PLS-SEM structural model

The results presented in Table 6 and Figure 2 indicate that government support contributes to enhancing the competitive advantage of small and medium-sized tourism enterprises. The order of decreasing impact of these supports is as follows: support through credit policies (β = 0.238**, f^2 = 0.075), support through tax policies (β = 0.235**, f^2 = 0.070), support through labor and social welfare policies (β = 0.200**, f^2 = 0.050), and support through legal policies and procedures for businesses (β = 0.17**, f^2 = 0.034). Therefore, H1, H2, H3, and H4 are all accepted. Additionally, the results of the study also show that enhancing competitive advantage positively impacts the firm performance of tourism enterprises as perceived by their leaders (β = 0.474**, f^2 = 0.293; H5 is accepted).

Moreover, the Bootstrap results with n = 5,000 indicate that government support positively affects the firm performance of SMTEs through the mediating role of enhancing competitive advantage. The coefficients β, p-values, and f^2 show that H1a, H2a, H3a, and H4a are all accepted. At the same time, H6 indicates that although the effect of digital transformation on the relationship between enhancing competitive advantage and firm performance for SMTEs is statistically significant, it is quite minimal and nearly negligible (f^2 = 0.006).

4. DISCUSSION

The analysis findings suggest that government support is essential for improving competitive advantage and firm performance in SMTEs. From the managers' perspective, government support through credit policies, tax policies, labor and social welfare policies, and legal policies and procedures is ranked in descending order of impact. The findings of this study align with many previous studies conducted both before and after the Covid-19 pandemic, such as those by Nguyen et al. (2018), Xuan et al. (2020), Hai and Tron (2023), Pergelova and Angulo-Ruiz (2014), Khanh et al. (2023), Songling et al. (2018), Yanuarni et al. (2024), and Susanto (2019). This suggests that government support is always a necessary solution to promote the development of SMEs in general and tourism in particular, contributing to a stable and sustainable national economy.

The findings also indicate that the current digital transformation among SMTEs in Vietnam has not yet to significantly enhance competitive advantage and firm performance. This is primarily due to the limitations of these enterprises' financial resources, human capital, technology, and legal knowledge. Notably, SMTEs lack a specific roadmap for

implementing sustainable digital transformation. These findings align with Mick et al. (2024) and OECD (2021), who suggest that digital transformation initiatives continue to encounter numerous obstacles within SMEs, affecting their ability to create value and improve firm performance.

Government support through tax policy is the second most impactful policy, after credit policy, in enhancing the competitive advantage and firm performance of SMTEs from the perspective of business leaders. This finding aligns completely with several other studies that suggest tax incentives for SMEs, particularly the reduction of corporate income tax, value-added tax, and temporary tax exemptions, have improved the financial performance and competitiveness of these businesses. This government support policy has helped businesses reduce operational costs and encouragement of investment in technology and business expansion (Wang & Kesan, 2022), with a focus on innovation to enhance competitive advantage (Jeong et al., 2021), overcoming cash flow difficulties, improving liquidity, and maintaining business operations (Tanklevska et al., 2020). Therefore, in the coming time, the government needs to continue implementing tax support policies and further reform administrative procedures related to taxation, enhance the digitization of tax management, and amend and refine the institutional framework for tax management.

Government support through labor and social welfare policies for enterprises and workers in SMTEs is the third most impactful policy influencing the enhancement of competitiveness and firm performance of these enterprises. This result is fully consistent with the study by Zúñiga Collazos et al. (2023), which suggests that government support policies for labor and social welfare have improved the operational performance and innovation capacity of SMEs in the tourism sector. These support policies help businesses maintain their workforce and encourage sustainable development initiatives, thereby strengthening their competitive position in an increasingly developed tourism market (OECD, 2010). To further refine these policies, it is necessary to review and improve the legal regulations regarding the responsibilities of tourism enterprises for training, retraining, and enhancing the skills of workers to maintain employment. Additionally, considering the unique characteristics of SMEs, the government should also reconsider policies for zero-interest loans to support businesses in paying wages for workers on leave and examine policies for exemption and reduction of social insurance fees and union fees for enterprises and employees. Furthermore, policies supporting workers in stabilizing their living conditions to continue working, such as housing rental assistance and loans at preferential interest rates for home renovation and repair, should also be considered.

The results of this study also show that government support through policy issuance and implementation of legal assistance procedures has the lowest impact among the four policies affecting competitive advantage and firm performance. While there are minor differences from studies by Khanh et al. (2023), Songling et al. (2018), Yanuarni et al. (2024), and Susanto (2019), this suggests that recent implementation of state government support for SMTEs has been limited and lacks consistency, partly due to unclear delineation of authority, responsibility, and coordination among state agencies in deploying these legal support measures. The lack of coordination among these state agencies not only severely affects the rights of SMTEs but also leads to an increase in lawsuits, business disputes, complaints, and accusations, which negatively impact the investment and business environment. Therefore, in the future, the government should continue to review legal regulations to encourage and facilitate organizations representing SMTEs in providing legal assistance. This will enhance the government's role in supporting legal protection for businesses. The government must also consider building a network of legal consultants according to specific industries and management areas of government agencies, involving lawyers, legal practitioner organizations, legal advisors, and legal consulting centers. This network list and the operational framework for legal support need to be transparent and subject to supervision from various stakeholders. In addition, the government must clearly outline the responsibilities of local state management agencies to enhance legal dialogues with businesses, particularly SMTEs. This can be accomplished by organizing public legal dialogues at least twice a year

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with the business community and the media. Such dialogues will help promptly identify and address the challenges and obstacles that local businesses encounter. Furthermore, it is vital to strengthen and improve the hotline and online question and answer services available on the official legal support portal/website of the government. This will facilitate the collection of feedback and offer legal guidance and responses to businesses effectively.

Finally, this study aligns with other research, such as those by Mick et al. (2024) and OECD (2021), which also found that the digital transformation of SMTEs does not significantly impact competitiveness and business performance. However, in the current context, digital transformation is considered a necessary solution to enhance service quality and provide new experiences for customers in the tourism sector. Therefore, SMTEs need to explore and implement new technology applications in their service delivery. Additionally, it is essential for the government to quickly improve and upgrade information technology infrastructure and establish legal regulations related to business operations and service provision on digital platforms.

Currently, in Vietnam, the majority of enterprises, particularly in the tourism sector, are SMEs, accounting for over 90% of all businesses. Therefore, this study is limited as it only surveyed leaders from 798 SMTEs in the South Central Coast region of Vietnam. Increasing the sample size and analyzing secondary data on revenue, profit, and financial indicators will enhance the accuracy and reliability of the research regarding the relationship between government support policies and firm performance of SMTEs in the post-Covid-19 pandemic.

CONCLUSION

This study provides empirical evidence showing that in emerging economies like Vietnam, the sustainable development of SMTEs relies significantly on the role of government support policies, especially when businesses face financial crises or disasters such as the recent Covid-19 pandemic. From the perspective of tourism SME managers, government support through credit policies, tax policies, labor welfare and social security policies, and legal assistance are essential and highly beneficial, helping SMTEs continuously improve service quality, enhance competitive advantage, and boost firm performance. However, due to their limited resources, SMTEs have not yet prioritized digital transformation to further leverage competitive advantage for firm performance. This poses a substantial challenge for SMTEs managers, policymakers, and the government to seek more effective solutions in the future.

AUTHOR CONTRIBUTIONS

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Software: Diep Dao Mong, Hai Phan Thanh.
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Visualization: Diep Dao Mong, Hai Phan Thanh.
Writing – original draft: Diep Dao Mong, Hai Phan Thanh.
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