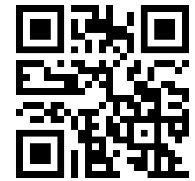


## Using the budget for a labor export company in Hanoi

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**ABSTRACT:** Up until now, many modern management tools have been developed and used to evaluate business performance. However, budgeting in production and business is still a frequently used tool in business management. This comes from the fact that the budget does not require many resources from the enterprise but still meets the management functions: planning, checking, evaluating, and making decisions. With the characteristics of a labor export enterprise, it is affected by many objective factors affecting its performance, such as the socio-economic situation of labor-receiving countries, the socio-economic situation of Vietnam, job needs and income of employees, etc. Production and business estimates become more and more important. This article aims to find out the perception of managers of labor export companies in Hanoi about the importance and role of budget. At the same time, find out the current state of budgeting in these companies.

**KEYWORDS:** Budget, labor export enterprise, Hanoi

### 1. INTRODUCTION

In recent years, when the demand for income and the orientation to work abroad have increased, the number of Vietnamese enterprises supplying labor abroad has increased. According to statistics from the Department of Overseas Labor (Ministry of Labour, Invalids, and Social Affairs), in 2022, the total number of Vietnamese workers going to work abroad is 142,779, reaching 158.64% of the plan. Previously, the target set for the activity of sending Vietnamese workers to work abroad under contracts by 2022 was 90,000 employees. Japan is still the labor market that attracts the most Vietnamese workers in 2022, with 67,295 people, followed by Taiwan (China) markets with 58,598 workers, South Korea with 9,968 workers, Singapore with 1,822 workers, China with 910 employees, Romania with 721 employees, Hungary with 775 employees, Russia with 467 employees, Poland with 494 employees, and other markets. Although labor export is a specific industry in Vietnam, requires a separate operating license and a high charter capital. However, it is still considered a potential industry and long-term development in the future, so between labor export enterprises, there is always competition to win and dominate the labor export market. Based on the production and business activities of labor export enterprises, it can be seen that this is an industry heavily influenced by the country's socio-political situation and the world. Faced with this situation, labor export enterprises themselves need corporate governance tools to help managers cope with future uncertainty and the context of constant world economic integration.

Production and business forecasting is one of the widely used management tools in enterprises. Kaplan (1991) believes that budgeting is an important component of the corporate management accounting system, helping enterprises adapt to changes in the business environment as well as use corporate resources effectively. Budgeting plays a big role in allocating resources in accordance with the specific goals of the business. More specifically, they are detailed projections of revenue, expenses, and cash flow in the business. Following the development of management science, there are many modern management tools that have been developed and used to evaluate the performance of enterprises. However, production and business budgets are still frequently used tools in business management. This comes from the fact that the budget does not require many resources from the enterprise but still meets the management functions: planning, checking, evaluating, and making decisions. With the characteristics of a labor export enterprise, it is affected by many objective factors affecting the business results, such as the socio-economic situation of labor-receiving countries, the socio-economic situation, etc., of Vietnam, the demand for jobs, and income of workers, and the budget which become more and more important. This article aims to learn about the current situation of production and business budgets in labor export enterprises in Hanoi, and thereby make recommendations to improve the efficiency of using production and business budgets in labor export enterprises in Hanoi.

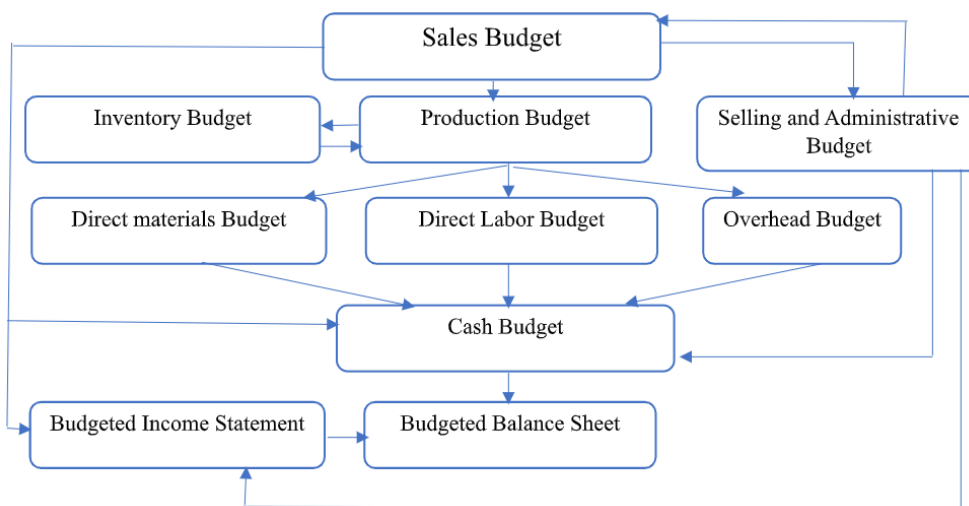
### 2. LITERATURE REVIEW

Budget is a basic management tool in corporate governance. According to Argyric (1952), budgeting is considered an accounting

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technique, to support management's control over the costs incurred in the enterprise. Drury (2000) said that the budget is a component of the management accounting information system, and through the estimate, the administrator can easily perform his management function. Garrison et al. (2003) describe budget as a process that includes many sequential activities, including planning, coordination, communication, control, and evaluation of results. According to Horngren (2008), a budget is considered a plan with specific objectives in the form of financial indicators. These are detailed projections of revenue, expenses, and cash flow in and out of the business.

Thus, the budget is a constituent part of the management information system in general and the management information system in particular, it includes activities arranged in sequence to help managers perform administrative functions.



Source: Garrison (2011)

Figure 1. Budgeting system in the enterprise

According to Drury (2000), the budget is one of the most frequently used tools in corporate governance, with the following functions: planning, coordination, communication, control, evaluating results, and motivating employees.

The planning function of a budget is the concretization of business goals into metrics that are quantified on a financial scale and efficiently allocate resources. Planning in production and business estimates depends on the needs of managers and the size and characteristics of the business. In addition, planning can be done by month, quarter, or year.

According to Glynn et al. (2008), the control function of the budget is shown by comparing and analyzing the difference between actual and estimated data. The determination of this arbitrage will create a favorable arbitrage and an unfavorable arbitrage. This is the data for the business administrator to adjust the operation and determine the cause to have a suitable control plan.

The information communication function of the budget is shown through the transmission of information between departments in the enterprise. Through budget, senior management communicates his expectations to subordinates, so that all employees in the enterprise understand and work together to achieve common goals (Dury, 2017). The more effective the information transfer function of the budget, the clearer the estimated information, and the more effective the business operation of the enterprise will be.

The evaluation function of the budget is a useful means for senior managers to evaluate the performance of lower-level managers, as well as a tool to evaluate the results achieved by the departments. In many enterprises, the results of the implementation of the estimated targets are the basis for implementing the salary, bonus, or promotion regime of individuals (Dury, 2017).

The motivational function of the budget is closely related to the goal of the budget. The goal of a high estimate will be a premise for managers to strive to achieve that goal. The more difficult and challenging the goal, the higher the motivation generated by the business estimate. However, it should be noted that goals that are too difficult are sometimes impossible to achieve, creating negative behavior and reducing employee motivation (Dury, 2017).

### 3. RESEARCH METHOD

The research method was carried out by combining qualitative and quantitative research.

Qualitative research aims to learn about the importance of budgeting for managers. And the level of management's understanding

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of the functions of estimating. Qualitative research is used through in-depth interview techniques. The interviewees were 10 directors and deputy directors at labor export enterprises in Hanoi.

Quantitative research aims to evaluate the application of different types of budgets in enterprises. This is done in 3 steps:

**Step 1:** Questionnaire built on Google Forms, send it to accountants and managers via email using a convenient sampling method, and send it to friends, relatives, and partners. ...

**Step 2:** The number of survey questionnaires distributed was 150, sent to 150 enterprises, and the number of votes collected was 120 from 120 enterprises, reaching 80%. All receipts met the required information requirements.

**Step 3:** We analyzed the data on SPSS 22 software with the following tools: Frequency statistics, mean statistics, and One-Way ANOVA analysis.

The questions in the survey apply the 5-point Likert scale: 1- Strongly disagree; 2 - Disagree, 3 - Normal, 4 - Agree, 5- Strongly Agree.

## 4. RESULTS

### Descriptive statistics on labor export enterprises in Hanoi

As of early 2023, there are 424 companies licensed to operate in the field of labor export, of which 292 are based in Hanoi. Out of 150 enterprises that sent survey questionnaires, the research team received responses from 120 enterprises with 120 valid questionnaires.

Regarding the type of enterprise, there are 82 companies (accounting for 68.3%) that are joint stock companies, and 38 companies (accounting for 31.7%) are limited liability companies.

Size of business capital: There are 95 companies (accounting for 79.2%) with business capital of less than 20 billion VND, 19 companies (accounting for 15.8%) with business capital of 20 to 100 billion VND, and 06 companies (accounting for 5%) of those surveyed have business capital exceeding 100 billion VND.

Regarding the number of employees, there are 16 companies (accounting for 13.3%) with fewer than 10 employees, 73 companies (accounting for 60.8%) with 10–200 employees, and 25 companies (accounting for 20.8%) The number of employees is 200–300, and 6 companies (accounting for 5%) have over 300 employees.

**Table 1. Characteristics of surveyed enterprises**

Characteristics		N = 120	Percentage (%)
Type	Joint Stock Company	82	68.3
	Limited liability company	38	31.7
Number of employees	< 10 persons	16	13.3
	10- 200 persons	73	60.8
	200-300 persons	25	20.8
	> 300 persons	6	5.0
Capital	< 20 billion VND	95	79.2
	20 – 100 billion VND	19	15.8
	> 100 billion VND	6	5.0

Through statistics, if we classify enterprises as large, medium, and small according to Decree 56/2009/ND-CP, the majority of enterprises operating in the field of labor export have medium and large capital scales.

### Recognizing the importance and function of budget in labor export enterprises in Hanoi

The results of the interviews with the subjects showed that all the interviewees said that the cost estimate is an important management tool. However, many interviewees do not understand all the functions of budgeting. In 10 interviews, the main ideas were summarized as follows:

"In my opinion, budgeting is important. My company makes a periodic budget every year, and I use the budget as a basis for comparison with actually achieved figures." (Director, interview)

"I think the budget is necessary for enterprises, especially in labor export enterprises. This is a profession that is heavily influenced by the political and economic situation at home and abroad. Therefore, estimates are important information for managers to anticipate future risks." (Director, interview)

"My company has a budget, but when I hear about the evaluation and motivational functions, I feel vague. I never thought it would be so beneficial." (Director, interview)

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"I have an accountant to make a cost and cash flow budget. I use this estimate to balance the cash flow for the year." (Director, interview)

"A budget is pretty important to me. Thanks to the budget, I can communicate the goals and desires of the business down to the departments in the company." (Director, interview)

### The reality of using budgets in labor export enterprises in Hanoi

At labor export enterprises in Hanoi, nine types of budgets are used, but at different levels. According to the statistical results, the sales budget is used the most by businesses with a mean of 4.19%, followed by the selling and administrative budget with a mean of 4.04%, and the overhead budget with a mean of 3.84%. For two types of cost estimates: direct material costs and direct labor costs, the raw direct material budget is made by enterprises with a mean of 3.49%, while the direct labor budget is hardly used with a mean of 1.98%. As for the two budgets on financial statements, businesses have started using budgets, but the income statement budget is more interesting with a mean of 3.46%.

**Table 2. The actual situation of the budget application**

Cod	Budget	Mean
BU1	Sales Budget	4.19
BU 2	Production Budget	3.49
BU 3	Direct materials Budget	3.49
BU 4	Direct Labor Budget	1.98
BU 5	Overhead Budget	3.84
BU 6	Selling and Administrative Budget	4.04
BU 7	Cash Budget	3.66
BU 8	Budgeted Income Statement	3.46
BU 9	Budgeted Balance Sheet	3.17

According to the survey results on the actual situation of applying budget compared to the size of enterprises, there is a difference between enterprises of different sizes. Enterprises with 200 or more employees have a higher level of application of different types of budgets than those with fewer than 200 employees. For businesses with more than 300 people, the level of use of budget is almost 100%. Similarly, when comparing capital sizes, the level of use of budget in enterprises with a capital of 20 billion VND or more is higher than in enterprises with capital below 20 billion VND.

**Table 3. The actual situation of using the budget compared to the number of employees**

Budget	Number of employees	N	Mean	Budget	Number of employees	N	Mean
Sales Budget	< 10 persons	16	3.19	Selling and Administrative Budget	< 10 persons	16	3.00
	10- 200 persons	73	4.07		10- 200 persons	73	4.00
	200-300 persons	25	5.00		200-300 persons	25	4.60
	> 300 persons	6	5.00		> 300 persons	6	5.00
Production Budget	< 10 persons	16	2.31	Cash Budget	< 10 persons	16	2.50
	10- 200 persons	73	3.22		10- 200 persons	73	3.45
	200-300 persons	25	4.68		200-300 persons	25	4.68
	> 300 persons	6	5.00		> 300 persons	6	5.00
Direct materials Budget	< 10 persons	16	2.31	Budgeted Income Statement	< 10 persons	16	2.50
	10- 200 persons	73	3.22		10- 200 persons	73	3.25
	200-300 persons	25	4.68		200-300 persons	25	4.32
	> 300 persons	6	5.00		> 300 persons	6	5.00
Direct Labor Budget	< 10 persons	16	1.00	Budgeted Balance Sheet	< 10 persons	16	2.00
	10- 200 persons	73	1.79		10- 200 persons	73	2.88
	200-300 persons	25	2.92		200-300 persons	25	4.32
	> 300 persons	6	3.00		> 300 persons	6	5.00
Overhead Budget	< 10 persons	16	2.31				
	10- 200 persons	73	3.68				
	200-300 persons	25	5.00				
	> 300 persons	6	5.00				

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**Table 4. The actual situation of using the budget compared to capital sources**

Budget	Capital	N	Mean	Budget	Capital	N	Mean
Sales Budget	< 20 billion VND	95	3.98	Selling and Administrative Budget	< 20 billion VND	95	3.83
	20 – 100 billion VND	19	5.00		20 – 100 billion VND	19	4.79
	> 100 billion VND	6	5.00		> 100 billion VND	6	5.00
Production Budget	< 20 billion VND	95	3.12	Cash Budget	< 20 billion VND	95	3.33
	20 – 100 billion VND	19	4.89		20 – 100 billion VND	19	4.89
	> 100 billion VND	6	5.00		> 100 billion VND	6	5.00
Direct materials Budget	< 20 billion VND	95	3.12	Budgeted Income Statement	< 20 billion VND	95	3.17
	20 – 100 billion VND	19	4.89		20 – 100 billion VND	19	4.42
	> 100 billion VND	6	5.00		> 100 billion VND	6	5.00
Direct Labor Budget	< 20 billion VND	95	1.72	Budgeted Balance Sheet	< 20 billion VND	95	2.80
	20 – 100 billion VND	19	3.00		20 – 100 billion VND	19	4.42
	> 100 billion VND	6	3.00		> 100 billion VND	6	5.00
Overhead Budget	< 20 billion VND	95	3.54				
	20 – 100 billion VND	19	5.00				
	> 100 billion VND	6	5.00				

## 5. CONCLUSION

The results of qualitative research show that most managers of labor export enterprises in Hanoi are aware of the importance of budgeting in business management. However, managers also acknowledge that budgeting is not fully understood and fully applied in the enterprise. Currently, managers of labor export enterprises in Hanoi only use the budget for planning and control. Especially the planning function is the most recognized and used function.

Quantitative research results show that labor export enterprises in Hanoi have been applying budget. However, the applicability of different types of budgets is clearly different. The budget that is being used the most is the sales budget, which is the budget of the revenue of labor export activities, through the estimate of the number of employees participating in the orders and the number of employees exiting during the period. This number depends heavily on partners in other countries as well as the needs of Vietnamese people to work abroad. Production budgets, direct materials budgets, overhead budgets, and selling and administrative budget are also being considered by managers with a relatively high level of application. As for direct labor budgets, businesses hardly use them. This is also consistent with the characteristics of the labor export industry. Workers wishing to work abroad will find labor export companies through local organizations and the media. The most commonly incurred costs are document costs, translation costs, domestic business expenses, overseas travel expenses, and operating expenses. When compared in terms of size, large-scale labor export enterprises (over 300 employees, or capital of over 100 billion VND) have an almost absolute level of use of the budget and are much larger than other small businesses.

From the statistical results of the Department of Management of Overseas Labor (MOLISA), the development opportunities for export enterprises in Vietnam in general, and in Hanoi, in particular, are very large. However, this is an industry that is greatly affected by the political and economic situation in Vietnam and other countries that are the receiving markets for Vietnamese labor. Therefore, each labor export enterprise in Hanoi should be aware of the importance of the budget and the need to make a budget to achieve the goals of the estimate. The effectiveness of budgeting must be derived from the business managers themselves. When making a budget, managers need to focus on describing clear goals, and priorities, and how to achieve them. Managers should also spend time developing challenging estimates to motivate employees, which need to be appropriate for each individual and each department in the business. In addition, managers need to focus on information about performance and comparison with budgeted results, as well as information on adjustment measures. Then the controlling role of the budget will be achieved. The results of comparing actual data and budget are also the basis for building reward policies in enterprises.

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