Opportunities and challenges for doing business in Vietnam via a multi factor model impacts

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Abstract: Currently, FDI inflows in Vietnam has been increasing, during impacts from Covid 19 and China-US commerce war which facilitates opportunities for US and Chinese firms to enter Vietnam market to attract qualified labor sources at competitive salary. From this fact, it is the time for us to consider to evaluate impacts from multi factors on Doing Business score (DB score) in the country. Authors use both qualitative, analytical and synthesis methods, combined with OLS regression method. Research results show us that in a 4 factor model, Export and FDI registration and export have positive correlation with DB score, while CPI and Import have negative correlation with DB score. Next, we recognize that CPI and FDI registration have higher coefficient and impact on DB score. Therefore, The authors propose recommendations for improving DB score in Vietnam from ex-import and FDI attracting policies. The model can be expanded and applied to other emerging markets.

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Keywords: FDI flows; Doing business score; Vietnam; ex-import; policies

INTRODUCTION
Measuring effects of various factors on DB score in markets such as Vietnam is good to increase FDIs capital. According to the World Economic Forum, the income gap of Vietnamese people compared with the average of developing countries in Asia is increasingly widening. World Bank (2020) also clarify what Doing Business means in DB report 2020:

![Fig.1: 12 areas of business regulations (source WB Doing Business report 2020)](Note: contracts with government not included in DB2020)

We see and compare descriptive statistics of multi factors as follows: std.deviation of export and import are the highest numbers while std.deviation of CPI and GDP growth are lowest numbers.
LITERATURE REVIEW
First, Delgado et al (2012) relates cost of input components to competitiveness of the country to attract global capital. And Messaoud and Teheni (2014) gave evidence showing that factors of rules do not relate so much to economic growth in the case of Africa. Troilo and Collins (2015) emphasizes mind of innovation and creativity in small and medium enterprises and competitiveness of the nation is affected by knowledge level. Next, Vogiatgioglou (2016) found that in ASEAN nations, it is necessary to revise rules and business regulations in order to increase FDIs capital. Moorothy and Jason (2016) showed us that DB ease of World Bank can affected, negatively by GDP per capita. In addition to, Issah et al (2017) pointed in a model that previous year macro factors have certain effects on this year business ROA. Then, Carane (2018) found out that business or start ups may be mainly affected by cost of finance, with more impacts than cost of administration. Vasylieva et al (2018) used trade openness and FDIs as variables for Cobb-Douglas formula. Moreover, Rusu and Roman (2018) said that for C.E.E nations, CPI and worker productivity are main drivers of competitiveness of the country. Beside, Bonga and Kenneth (2018) mentioned that corruption has affected much on GDP growth.

METHOD AND DATA
We use both qualitative analysis (synthesis, analytical, explaining methods) and OLS regression model. All data we collect from reliable sources such as DBscore from Doing Business report of World Bank, other data from Bureau statistics, National Custom Office, Ministry of Investment and Planning. All data collected for OLS regression during the period 2014-2019.

MAIN RESULTS
First, we look at the below figure and see that all multi factors have positive correlation with DB Score in Vietnam for 2014-2019 period.

Second, we find out from below figure that, FDI registration has positive correlation with DB score in the below equation:
\[ Y = 0.36 \times \text{FDI\_REGIS} + 55.3, \text{ R-squared} = 0.86, \text{SER} = 1.25 \]
Third, we find out from below figure that, Both FDI registration and CPI have positive correlation with DB score in the below equation, in which CPI has higher coefficient:

\[ Y = 0.35 \times \text{FDI\_REGIS} + 42.3 \times \text{CPI} + 54.1, \quad \text{R}^2 = 0.9, \quad \text{SER} = 1.21 \]

Fourth, we find out from below figure that, Both FDI registration and CPI have positive correlation with DB score, while GDP growth has negative correlation with DB score in the below equation, in which GDP growth and CPI has higher coefficient:

\[ Y = 0.73 \times \text{FDI\_REGIS} + 210.3 \times \text{CPI} - 731 \times \text{G} + 86, \quad \text{R}^2 = 0.97, \quad \text{SER} = 0.7 \]

Fifth, we find out from below figure that, Both FDI registration and export have positive correlation with DB score, while Import has negative correlation with DB score in the below equation, in which FDI registration has higher coefficient:
Y = 0.3* Export -0.4*Import + 0.5*FDI_REGIS + 62.1, R-squared = 0.98, SER = 0.62

Fig. 6: Three factor regression: Export, Import and FDI registration impacts

Sixth, we find out from below figure that, Both FDI registration and export have positive correlation with DB score, while CPI and Import has negative correlation with DB score in the below equation, in which CPI and FDI registration have higher coefficient:

Y = 0.4* Export -0.5*Import + 0.5*FDI_REGIS - 19.3* CPI + 64.4, R-squared = 0.98, SER = 0.78

Fig. 7: Four factor regression: CPI, Export, Import and FDI registration impacts

DISCUSSION

In order to enhance the model robustness, we might consider to add public debt, tax rates, etc. Into our regression equation.

We might note that CPI and import have negative correlation with DB score in Vietnam; therefore, we need to control CPI well, not increasing too much.

CONCLUSIONS AND POLICY IMPLICATIONS

It is a good sign to see GCI of one of active emerging markets in Asia, Vietnam has increased up to 67th place (3.5 scores) in 2019. Because export and FDI registration have positive correlation with DB score in Vietnam as shown in the above equation, government agencies, Bank system, Ministry of Trade and Industry need to stimulate export and take advantages of FDI inflows from US, China, Europe, Japan, etc. to increase DB score.

Limitation of this research: We need to add more factors to enhance the strength of regression model, as well as expanding the model for other emerging markets.

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