

A. INTRODUCTION

I. Reason for choosing the topic

As we are living in a world driven by globalisation, tourism has become an indispensable demand in cultural and social life in many countries. In terms of economy, tourism is one of the most fast-moving and biggest sectors in global and contributes to the national prosperity and development. In Vietnam, government and communist party has established many policies and guidelines which help orient and promote tourism industry to be a leading economic sector with a professional orientation, being branded and focus.

Although tourism in Vietnam used to be recognised as a leading industry, it has not shown great performance as expected. The industry has not adopted with development which equals with its position, potential, strengths and expectation of society. There are different reasons leading to this issue. Some disadvantages come from the industry itself while there are some drawbacks arising from other factors. There have been demands and requirements for tourism but there have not been any appropriate boosting orientations through policies, budget, resources and investment. In recent years, governments, ministries and other departments have paid special attention to complete macro-financial instruments to promote tourism. However, this change have not been done completely and entirely and showed limitations and inadequacies which have not impacted the development of tourism in Vietnam widely and deeply. Macro-financial instruments need modifying, adjusting and adding to promote important role of tourism. Therefore, this research has been chosen to be the main topic for PhD dissertation which is: “Using macro-financial instrument to promote tourism in Vietnam”.

II. Purpose and responsibility of research:

Purpose: to propose opinion and solution to finalise use of macro-financial instruments in developing tourism in Vietnam to accomplish the aim of turning tourism into leading industry in economy.

Responsibility of research:

Firstly, the research is conducted systematically into basic and theoretical issues of tourism development and the role of macro-financial instruments to tourism development. It also analyses past experiences in using macro-financial instruments to promote tourism in other countries to get some lessons that fit with Vietnam.

Secondly, the research evaluates the current development of Vietnam tourism and how the macro-financial instruments were used from 2011 to 2016. To be more specific, the research learns about how

the uses of tax instrument, government budget spending and national credit tool have been applied to develop tourism as well as its results, limitations and causes underlying for these limitations.

Thirdly, the research will propose new solutions to accomplish the use of macro-financial instruments to develop Vietnam tourism in the future.

III. Subjects and scope of research

Subjects of research: theoretical and practical issues in tourism industry, macro-financial instruments and how the use of macro-financial instruments have direct effects on tourism development.

Scope of research:

Content: theoretical and practical research about uses of macro-financial instruments (spending national budget, tax and national credits) in tourism developments, thereby proposing fundamental solutions to use these instruments effectively in developing Vietnam tourism.

Time: this dissertation uses statistic from 2011 to 2016 to analyses, evaluate situation and conclude to suggest solutions to accomplish the use of macro-financial instruments to develop Vietnam tourism in the future.

IV. Methods of research

The main methods are analyzing, synthetic, statistics, comparison and research sociology and experts

V. New contribution of dissertation:

Besides introduction section, overview of research situation, conclusion, appendix and references, the main content of dissertation includes three chapters as follows:

Chapter 1: Theoretical rationale for using macro-financial instruments in developing tourism

Chapter 2: The current situation of using macro-financial instruments in developing Vietnam tourism.

Chapter 3: Recommendations for using macro-financial instruments to develop Vietnam tourism in the future.

B. Overview of research situation:

1. Situation of research

1.1 Internal situation:

The author has mentioned four PhD theses and one science research related to the use of macro-financial instruments in Vietnam, three PhD theses and two science researches related to tourism development from different perspectives.

1.2. Situation research in other countries:

This dissertation mentions three research works related to the use of macro-financial instruments in promoting tourism.

1.3 Overall evaluation of research situation and issues for the topic of dissertation:

Through previous research works related to the use of macro-financial instruments and tourism development internally and externally, the author wants to draw the problems which have been solved previously by scientists and other problems which need more study as well as emphasize that this dissertation do not repeat any previous research works.

Chapter 1

THEORETICAL RATIONALE FOR USING MACRO-FINANCIAL INSTRUMENTS IN DEVELOPING TOURISM

1.1. OVERVIEW OF TOURISM DEVELOPMENT

1.1.1. Tourism

1.1.1.1. Definition of tourism

Based on the clarification of tourism content, it is clear that: *Tourism is any activities related to trips of people out of their residences for a certain period of time to meet the demand of sightseeing, entertainment, rest, conferences and seminars attendances or combining different purpose.*

However, in term of economy approach, tourism is defined: *Tourism is an integrated business with corporations between individuals, organizations and entrepreneurs to satisfy the needs of sightseeing, rest, conferences and seminars attendances and other purposes of tourists thereby creating profit for businesses, spiritual value for tourists and maintain sustainable development.*

1.1.1.2 Characteristics of tourism

- Tourism is a special business
- Tourism is an industry which relates to other industries, sectors and regions. This has high socialization and needs massive investment.
- Tourism is on-site export.

1.1.1.3 The roles of tourism to economy

- Tourism plays an important role in economy development
- Tourism contributes to collecting foreign monetary which affects balance of international payment of a nation.
- Tourism devotes to solving unemployment
- Tourism encourages and attracts foreign investment
- Tourism contributes to reconstruction of economy.

1.1.2 Tourism development

1.1.2.1 Definition of tourism development

Tourism development is defined as an improved process in all aspects of tourism industry in a region, a nation or a territory which aims to bring economic, politic, cultural and social profit fitting with the overall development strategy of the economy.

1.1.2.2 The content to develop tourism

There are four main contents: development of tourist market, tourism products, tourism infrastructures and human resource.

1.1.2.3 Principles to develop tourism

This dissertation mentions six principles to develop tourism

1.1.2.4 Criteria to develop tourism

This dissertation mentions five criteria: tourists, the contribution of tourism to GDP, tourism infrastructure, facilities and technology, human resource and investment to develop tourism.

1.1.2.5 Factors affecting tourism development

The general factors include: political security – social security, tourism development policy and legal, economy, culture and technology. Specific conditions contain: world heritages and tourism resources.

1.2 USING MACRO-FINANCIAL INSTRUMENTS TO DEVELOP TOURISM

1.2.1 General issues with macro-financial instruments

1.2.1.1 Definition of macro-financial instruments

Financial instruments are used by regulators to influence different subjects to achieve socio-economic objectives which relate to those subjects.

Macro-financial instruments is a system of financial instruments that government use to implement general socio-economic objectives including tax, spending government budget, insurance, exchange rates and government credits

1.2.1.2 Types of macro-financial instruments

a. Government budget spending

Spending national budget is understood as the distribution and spending national budget to meet the requirement of implementing function and responsibility of government according to a set of regulations.

Spending national budget includes regular expenditure (activities expenditure) and irregular expenditure (investment and development expenditure).

There are six principles of spending national budgets which have been regulated

b. Tax instrument

Tax is a mandatory transfer of income from individual and organizations to government according to legalized level and time in order to serve the public purpose of government.

There are two types of taxations: direct taxes and indirect taxes

c. Government credits:

Credit is the expression of economic relationship associated with the process of forming and using credit fund to satisfy the need of temporary capital of regulator in order to serve producing activities based on the rule of refund.

There are different types of credits. Based on identifying responsibilities of subjects participating in credits, there are different kinds of credits as government credit, bank credit and commercial credit.

1.2.2 Fundamental arguments over using macro-financial instruments to develop tourism

1.2.2.1 Operation mechanism of macro-financial instruments to tourism development.

Macro-financial instruments impact on promoting and limiting tourism business operation. It is necessary to pay attention to corporation of different macro-financial instruments, unparallel using of macro-financial instruments, conflicts, contrast in advantages of a solution could be disadvantages of other solution. This will lead to a consequence of wasting social resources.

- Taxation:

This is a financial tool, tax has direct effect on business operation of many tourism organizations as well as strong impact on supply and demand of tourism. Levying tax appropriately and reducing tax contribute to encouraging the development of tourism based on the income of tourism activities which results in accumulating money for national budget besides compensating investments for this sector. Governments could implement preferential forms: through the regulation of tax rates, regulations of reducing income tax and through tax exemption and reduction.

Using tools of spending national budget

Spending national budget is one of macro-financial instruments having the largest impact on tourism development. Under mentioned scope by author, national budget expenditures are considered as fundamental expenditures which change the face of tourism industry. They are spending on improving tourism infrastructures, training human resources, advertising and promotion of tourism.

Using tool of government credits

The most obvious impact of government credits is to accelerate the capacity to approach capital with lower cost for tourism businesses. Government credits should be applied to development projects which

bring about multiple effects regarding socio-economic aspect and has the strategic scope to projects with preferential loan.

1.2.2.2 Factors affecting the use of macro-financial instruments in developing tourism

Involuntary factors include the macro-economic situation and perception of society about tourism.

Voluntary factors include development strategies in the sector, planning strategies, financial investment for tourism development, qualification, capacity of tourism enterprises.

1.3. EXPERIENCES OF USING MACRO-FINANCIAL INSTRUMENTS TO DEVELOP TOURISM IN SOME COUNTRIES AND LESSONS APPLIED IN VIETNAM

1.3.1. Experiences of using macro-financial instruments to develop tourism in some countries.

This dissertation is based on past experience from some countries as Malaysia, Thailand and Singapore about using macro-financial instruments to develop tourism thereby drawing lessons for Vietnam.

Chapter 2

THE CURRENT SITUATION OF USING MACRO-FINANCIAL INSTRUMENTS IN DEVELOPING VIETNAM TOURISM

2.1. CURRENT SITUATION OF TOURISM DEVELOPMENT IN VIETNAM

2.1.1. Overview of tourism development in Vietnam from 2011 to 2016.

2.1.1.1. Legal foundation of tourism development in Vietnam

This dissertation has mentioned the system of policies related directly to the development of tourism since Law on Tourism was issued in 2005. This is the highest legal foundation. Besides, Resolution 08-NQ/TW marks a special milestones in history of tourism development in Vietnam

2.1.1.2. Overview of Vietnam tourism

This dissertation outlines advantages in Vietnam tourism including: the stable in politics and social security, the potential of diversified tourism resources, massive human resource and policies to develop tourism. Besides, there are some disadvantages in managing and exploiting tourism resources, infrastructure and facility for tourism, human resource especially high-qualified and skilled employment, capital and technology, tourism management and role of government.

2.1.1.3 The current situation of tourism development in Vietnam from 2011 to 2016

- *Tourists:*

The number of international tourists increased from 6,014,000 in 2011 to 10,012,800 in 2016 or by more than 4 million. The domestic tourists in this period grew by average 15% which nearly doubled to the growth rate of international tourists.

- *Infrastructure and technological facilities in tourism*

Tourism infrastructure has been improved significantly, however, tourism infrastructure has not been invested entirely which prevent tourism from functioning well and approaching destinations as well as the demand of development. In term of technological facilities, in the period from 2001 to 2016, the face of Vietnam tourism has changed fundamentally with positive signs from tourism accommodations.

- *The total income of tourism and contribution to national GDP*

From 2011 to 2016, Vietnam tourism has continuously recorded growth in total income with the rate reaching average about 27.5 percent each year. However, compared with other sectors, the contribution of tourism to socio-economic development of Vietnam has not been outstanding.

- *Tourism products*

Vietnam has a system of various tourism products and brings about more advantages. However, the system of tourism products is still poor, monotonous, repetitive in regions where share similar geographic features, uneven contributions. The quality of service is still low with weak competitiveness.

- *Tourism human resources development*

In this period, the volume of human resource in tourism grew dramatically, from nearly 1.5 million employees in 2011 to over 1.8 million employees in 2016 with the average growth rate by 5 percent each year. The workforce was huge but the proportion of qualified and skillful workers was still low, moreover, the training quality in tourism still had some limits especially in the field of profession to meet the ever-rising demand and enhancement of tourism activities. The issue of developing tourism human resource, especially qualified workforce is a challenge to Vietnam tourism in front of new situation. In general, the training of human resources is still limited

- *Advertising tourism*

Tourism promotion and advertising has changed step-by-step regarding its scope, operating scale with various activities, programs and events organized internally and externally. However, the promotion of tourism has not brought effective results, scattered and fragmented, has not focused in focal markets. This is considered as an obstacle in today Vietnam tourism.

2.1.2. Overall evaluation of tourism development in Vietnam from 2011 to 2016

This dissertation has indicated the results gained as well as the limitations of current development in Vietnam tourism from 2011 to 2016

2.2. THE CURRENT USE OF MACRO-FINANCIAL INSTRUMENTS TO DEVELOP TOURISM IN VIETNAM

2.2.1. The current use of taxation as a tool to promote tourism in Vietnam

Through the use of taxation, it can be seen that the current legal foundation has some certain preferences in term of tax policies which create favorable conditions for tourism business. This can be seen in the levy of value added tax, income tax for businesses, and export tax. However, tourism businesses have met some obstacles with other taxes such as non-agricultural land use.

2.2.2 Current use of national budget in developing tourism in Vietnam

Government spending on tourism rose from 2,054.4 billion VND in 2011 to 3,751.8 billion VND in 2016. This shows that national tourism has been more and more concerned for investment from Government. Spending government budget on tourism grew year by year and reach average 13 percent each year. Dissertation researches detailed expenditures for different sectors such as tourism infrastructure, human resource and tourism promotion. There are three main areas which are core of tourism to see a clearer picture of the investment from Government to develop tourism over the period shown.

2.2.2.1. Spending national budget on tourism infrastructure

In the development of infrastructure, budget capital is seen as the main channel. Capital spent on developing tourism infrastructure from 2011 to 2015 was at 3,406.41 billion VND. Especially, in 2013, this capital reduced by 342.591 billion VND (a 40-percent decrease compared with previous years). Generally, spending national budget on developing tourism infrastructure has been effective. However, there are still many limitations.

2.2.2.2. Spending national budget on training human resource for tourism

Spending national budget on tourism training institutions which belong to Ministry of Culture, Sports and Tourism increased from 62 billion VND in 2011 to over 73 billion VND in 2016. The whole period took about 65 percent, while the other was spent on investment for development. Therefore, the perspective of spending national budget is still on current expenditure but not investment for development. The public training instructions still have some limitations due to a limit in funding from government with low and slow reformation and supplement.

2.2.2.3. Spending national budget on promoting and advertising tourism

The strategy for promoting and advertising tourism in our country over the shown period was better however, the budget each year was still low. At the moment, the whole national budget to promote tourism is just about 2 million USD. The spending on promotion is too small and unparalleled, lack of collaboration between budget, resources of enterprises and communities.

2.2.3. Current spending of financial instruments to support tourism development in Vietnam

Nowadays, funding credits of Government spent on developing tourism only focuses on remote areas with difficulty. The projects for tourism concentrate on areas with potential of development such as Quang Binh, Thua Thien Hue, Khanh Hoa, Phu Quoc – Kien Giang, and Can Tho.

2.3. EVALUATION OF CURRENT USE OF MACRO-FINANCIAL INSTRUMENTS IN TOURISM DEVELOPMENT IN VIETNAM

2.3.1. Results gained

2.3.2. Limits and reasons

- About spending national budget to promote tourism

Firstly, spending national budget to develop tourism is still low

Secondly, the distribution of national budget for tourism development still have some limitations.

- About using tax to promote tourism

Firstly, the development of tax preferences still have some limitations

Secondly, now, practical tax policies to promote tourism is still lacked.

Thirdly, the regulations about managing taxes and tax administrative procedures are obstacles for tourism businesses.

- About using national credit instruments to support development: at the moment, there have not been any preferential credit policies applied for tourism particularly

Reasons

❖ *Involuntary reasons include:* the unpredictable fluctuation of international market, and domestically social-economic situations face with many difficulties.

❖ *Voluntary reasons include:* institutions, policies for tourism development has not met with the requirement for development, planning and investment still show many limitations; a lack of specific policies which attract tourism investment; the corporation between departments; regions are still loose, the capacity of businesses is still limited; social perspective about tourism has changed but still inadequately and inconsistently.

Chapter 3

RECOMMENDATIONS FOR USING MACRO-FINANCIAL INSTRUMENTS TO TOURISM DEVELOPMENT IN VIETNAM IN THE FUTURE

3.1 DEVELOPMENT ORIENTATION FOR VIETNAM TOURISM BY 2030

3.1.1. Opportunities and challenges for tourism development in Vietnam in the future

3.1.1.1. Opportunities

- Communist Party and Government have paid significant attention to tourism development
- Potential of natural resources and rich humanities
- Legal foundation and standard of tourism have been formed
- Diversity, industrious, intelligent, flexible and young workforce
- The improved socio-economic infrastructure, economic growth resources that rise the ability to attract investment from Government and private area.
- General living condition, income and working environment of citizens have been improved.

3.1.1.2. Challenges

- Unpredicted fluctuation of world market which affect heavily scope and nature of market in Vietnam
- Weak competitiveness of tourism
- Perception, knowledge of administration and development has not met requirement; mechanisms and administrative policies are inadequate; the role and ability of private sectors and professional union have not been properly promoted; legalization has not been consistent.

3.1.2. Development orientation and objectives for Vietnam tourism in the future

3.1.2.1. Development orientation:

Including: Developing tourism to turn it into leading economic sector which contribute to the prosperity of country, developing tourism to dynamic, quickly adapted direction and paying attention to developing deeply to ensure quality and efficiency, developing tourism according to sustainable development

3.1.2.1. Development orientation

Overall objectives

Tourism will become the leading economic sector. Technological facilities and infrastructure are aligned with the development. The tourism products are high-qualified, various, branding and friendly with environment which turns Vietnam into a high-class destination in nearby areas.

Specific objective: include objectives about economy, society and environment

3.2. Fundamental principles in completing use of macro-financial instruments to develop tourism in Vietnam.

3.2.1. Need to be aligned with commitment when integrating in international economy

3.2.2. Must ensure tourism development meet the objective of economy and culture-politics-society.

3.2.3. Need to focus resources on ensuring implemented and encouraged activities

3.3. SOLUTIONS TO COMPLETE THE USE OF MACRO-FINANCIAL INSTRUMENTS IN DEVELOPING TOURISM IN VIETNAM

3.3.1. Accomplishing taxations

3.3.1.1. Modifying unreasonable points in taxations policies which hinder tourism business operation.

- ***Non-agricultural land using tax***

For projects investing in accommodation, tourist sectors which use a large amount of areas for landscape space need allowance for applying tax for non-agricultural land with areas being park, playing ground, path in hotel, resort being taxed for 30 percent. This is applied for construction land.

- ***Import duties***

It is suggested to consider to reduce import duties for a certain number of transportation. These high-end transports for tourists are not produced in Vietnam or produced with overpriced cost.

3.3.1.2. Complete and add some details on preferential tax policies to promote tourism

- ***Value added tax***

- Propose and issue new policy to reduce 30 percent to 50 percent of VAT in case of Vietnam National Administration of Tourism implement a discount on tour for international tourists to stimulate tourism
- Maintain and advertise broadly about refund VAT when exporting with simpler and quicker solution.
- There should be more incentives for businesses which welcome and serve international tourists into Vietnam (inbound)

- ***Import levy***

For equipment, specific transports that are required to develop high-end tourism but could not be produced internally, it is necessary to have some preferences of import levy

For training institutions in tourism, governments need to consider to implement reduce import levy for equipment, machines, laboratory devices and text books which serve education and training that could not be conducted internally.

- ***Non-agricultural land using tax***

In order to promote the development of tourism products, it is necessary to consider the policy of land use tax exemption and reduction for investment key areas, especially tourist resorts in unexplored areas.

- ***Business income tax***

First, improving regulations on corporate income tax incentives to encourage organisations and individuals to invest in the tourism industry. Enhancing the role of tourism enterprises in the process of promoting tourism.

- Form preferential tax for businesses operating in new tourism areas with difficulties in infrastructures but they are defined as national tourism area with potential to develop tourism.
- Exempt business income tax during three years for tourism businesses which has newly established in areas with low socio-economic situation and during five years in areas with extremely low socio-economic situation
- Government should consider to reduce business income tax for businesses which are implementing promotions to stimulate tourists.
- For training institutions for tourism industry, there should be preferential tax in business income tax

Second, adding provisions to reduce corporate income tax, thereby contributing to strengthening financial capacity for tourism enterprises

- In order to stimulate consumption through domestic tourism, businesses when organizing trips or domestic holiday for their employees could account all spending to reduce when paying business income tax.
- In order to improve effectiveness of tourism promotion and advertising, the spending of tourism businesses to Tourism Promotion Fund can be considered as reasonable to exempt in business income tax.
- Increase R&D fund in tourism businesses to boost research activities strongly to change technology and encourage breakthrough innovations in tourism products.

- **Special consumption tax**

Government need to regulate the policy of special consumption tax in order to promote business operation in case to diversify the form of entertainment to attract tourists

3.3.1.3. The reconfiguration of the tax system towards simplification and improvement of efficiency

3.3.2. Completing national budget spending instrument

The viewpoint of budget allocation for the tourism industry depends on the importance of the sector to the national economy or on the socio-economic development of each country.

In the coming period, Government needs to make strong moves in order to make tourism become leading economic sector so, it is necessary to determine a reasonable growth path to support the key sectors to remove the bottlenecks before committing breakthrough steps to develop, especially for the expenditures for tourism infrastructure, for promotion, tourism promotion and for human resources

tourism. The important solution is to form a tourism development fund to develop tourism activities in an active and professional way. In addition, it is necessary to intensify the examination, inspection, audit and supervision of the Government capital in order to prevent the spread of expenditures, loss and waste of investment resources.

3.3.3 Completing national credit instrument

Development investment credit: It is necessary to include tourism in the list of government funding projects, or in other words, to put some tourism projects in the category of special investment incentives.

Regarding ODA resources to be provided through VDB: To increase the mobilization of ODA through preferential loans for tourism development programs, thereby building the policy mechanism for re-lending ODA to create potential financial strength to be strong enough for tourism businesses so they are willing to invest in big projects to change the face of Vietnam tourism.

3.4. CONDITIONS FOR IMPLEMENTING SOLUTIONS

Conditions for implementing solutions come from Government, related ministries and departments and tourism businesses. To be more specific, tourism businesses are identified as the central factor and determined force for tourism development. Besides, there should be some policies to encourage residence to do tourism.

CONCLUSION

Based on the integration of research methods, PhD dissertation with the topic: “Using macro-financial instrument to promote Vietnam tourism” expect to complete following issues:

1. Theoretical aspect: dissertation have systemised and developed basic theory about tourism development, using macro-financial instruments to develop tourism in Vietnam in the future. Referencing researches and experiences used from macro-financial instruments for tourism development of other countries to draw lessons for Vietnam.
2. Practical aspect: dissertation have outlined Vietnam tourism, outlined and evaluated the current situation of tourism development from 2011 to 2016. This also focuses on the current use of macro-financial instruments in developing Vietnam tourism over the mentioned period and evaluates current use of tax, national budget spending and national credit to promote tourism. This also indicates gained results, limitations and causes of these limits.
3. Based on theoretical and practical analysis, orientation of tourism development in Vietnam in the future, this dissertation has proposed some solutions to complete the use of macro-financial instruments in developing Vietnam tourism. Solutions aim to complete the use of macro-financial instruments to promote Vietnam tourism which includes accomplishing taxation, completing national budget spending instrument and national credit instrument

LISTS OF RESEARCH WORKS THAT HAVE BEEN ISSUED AND RELATED TO THESIS TOPIC

1. Pham Thi Thu Ha (2014), Factors affecting capital structure of tourism business (*Các yếu tố ảnh hưởng đến cấu trúc vốn của doanh nghiệp du lịch*), *Journal of Finance and Accounting Research*, vol. 14, pp. 74-76
2. Pham Thi Thu Ha (2017), Some experiences in developing tourism in Thailand and Singapore (*Một số kinh nghiệm phát triển du lịch tại Thái Lan và Singapore*), *Journal of Financial inspection*, vol.178, pp. 49-50
3. Pham Thi Thu Ha (2017), The impact of tax policy to the development of tourism (*Tác động của chính sách thuế đối với phát triển ngành du lịch*), *Journal of Financial inspection*, vol. 179, pp. 47-48