

**THE THIRD INTERNATIONAL CONFERENCE ON:
“FINANCE AND ACCOUNTING FOR THE PROMOTION
OF SUSTAINABLE DEVELOPMENT IN PRIVATE SECTOR”,
(FASPS-3)**

ACADEMY OF FINANCE,
University of Finance - Marketing,
Institute of Financial Training,
University of Finance and Accountancy,

**THE THIRD INTERNATIONAL CONFERENCE ON:
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FINANCE PUBLISHING HOUSE

ACADEMY OF FINANCE



The Academy of Finance (AOF) is a public and research-oriented university, subordinated to the Ministry of Finance, Vietnam. The AOF was officially established under Decision No 120/2001/QĐ-TTg dated August 17th, 2001 of the Prime Minister by integrating the Hanoi University of Finance and Accounting (founded in 1963), the Finance Research Institution (founded in 1961) and the Financial Training Center (founded in 1995). The main site of the Academy of Finance is located in Hanoi.

The mission of Academy of Finance is to provide expertise in research and training of professional finance and accounting to the society, the mission has been defined for our 55-year history with outstanding achievements and contributions branded by our lecturers, researchers and students. The AOF established self-evaluation council since 2006 according to regulations of MOET Vietnam. This council significantly helped improve the academic performance, and in April 2016, AOF was accredited by Center for Education Accreditation (CEA) – Association of Vietnam Universities and Colleges (AVUC). The accreditation result was published according to the Decision 10/QĐ-KDCLGD dated February 20th, 2017 of AVUC ranking AOF in top 5 best universities in Vietnam. The Academy of Finance offer a high quality of training and research through 14 faculties: Fundamental Sciences, Political theories, Public Finance, Tax and Customs, Corporate Finance, Banking and Insurance, International Finance, Accounting, Business administration, economic Information. Languages, Economics, Master and Doctoral training, Part-time training, two centers: Center for Languages and Informatics Training, Information Technology Center, 2 research institutes: Institute for International Finance Education (IIFE) and Institute of Economics and Finance and 13 support divisions.

AOF offers a rich training programs included ordinary undergraduate/graduate programs spread in 06 academic majors: Finance and Banking, Accounting and Auditing, Business Administration, Management Information, Economic and Financial English, Economics. The AOF also offer to international and Vietnamese students with different choices partially/totally taught in English such as High Advanced Program or Dual Degree Programme (DDP - a Joint Training Programme between the Academy of Finance (Institute of International Finance Education) and the University of Greenwich (UK). Throughout its history, AOF's qualified scientists and lecturers have been supporting more than 85,000 students including 5,000 masters and 300 doctors and additionally 500 international students for Laos and Cambodia in the last 55 years. Significantly, a large number of AOF's graduates are leaders of the Government, ministries, local authorities and businesses. The academy has also been recognized for conducting thousands of valuable research projects for the policy makers in economic development of the State. The rich tradition and custom makes AOF unique among the other universities and colleges in Vietnam and attracts thousands of learners to study at the academy annually.

The valuable contributions of AOF to the development of the State in training and doing research has been respected publicly, the academy has been recognized with national unique awards. Many AOF alumni are key people in the Government and Local Administrations. In the process of globalization and the advent of the Industry 4.0, the AOF Management Board sets out following major development directions:

- Intensively develop training and research performance, maximize the core values to adapt to the emerging demands of the intellectual economy and the Industry 4.0.
- Diversify training courses, renovate academic management measures, improve the professional capacity, and improve self-study spirit with creativity and experience.
- Improve the research capacity in the manner that harmonizes fundamental studies with applied studies. Actively and comprehensively integrate into regionalization and globalization process regarding training, capacity building and research activities.
- Conduct academic management reform in close relation with financial autonomy and social accountability, create a new academic environment with high openness, creativity and internationalism, continuously attract excellent staffs and scholars to work and do research at AOF.

UNIVERSITY OF FINANCE – MARKETING



University of Finance - Marketing (UFM) is a public higher education institution governed by the Ministry of Finance, having the right to autonomy and self-responsibility of a non-business unit. The forerunner of the University of Finance - Marketing is the Central School of Pricing Officers in the South, established under the Decision No. 210/VGNN-TCDT dated September 1, 1976 by the State Pricing Commission. It then became a Vocational School before turning into a college and a university as it is today.

UFM has undergone 45 years of establishment and development as a highly-ranked institution in the higher education system of Vietnam with a scale of nearly 20,000 students and 5 campuses in Ho Chi Minh City. The University trains human resources meeting national and regional standards, transfers scientific achievements in the field of business and management, and participates in strategic and policy planning for the Finance sector, for businesses and social organizations. Through the development process, the faculty and staff of UFM have grown exponentially in quantity and quality. Currently, the University offers both undergraduate and postgraduate programs via various training modes full-time and part-time in 14 majors: Business Administration, Marketing, Real Estate, International Business, Finance – Banking, Restaurant and Catering Management, Hotel Management, Tourism and Travel Service Management, Management Information System, Accounting, Economics, Economic Law, Mathematics Economics and English Language. In addition to conducting mass regular programs, the University also implements high-quality, special, international, and international cooperation programs. Over 45 years of establishment and development, UFM has been training and provide high-quality human resources for the society to meet the needs of national construction and development. During the 2015-2020 period, UFM's staff has carried out 01 state-level research project, 21 ministerial/provincial level projects and 115 university-level projects. The number of projects at all levels implemented over the years has been gradually increasing in both quality and quantity. The number of articles written by the faculty is 1046. Among them, there are 838 articles published in domestic journals, 150 articles in international journals on the Scopus/ISI list and 58 articles in international journals with ISSN indices. Furthermore, from 2017 until now, the University has organized annual international conferences, creating a forum for lecturers and researchers to exchange ideas, approach scientific issues, and new research methods domestically and internationally. UFM's international cooperation has made great progress. The University conducts cooperation programs for undergraduate and Master's students with Help University, UCSI University in Malaysia, Thompson Rivers

University in Canada and also implements PhD programs in association with UCSI University, Malaysia. In addition to training cooperation, UFM has signed several cooperation agreements on student exchange and scientific research with various universities around the world. The University of Finance - Marketing aims to become a leading academic institution for undergraduate and graduate programs, a center for scientific and technological research in the country and a prestigious institution in the region in the fields of economics, finance, management, marketing, appraisal, tourism...; having a rational structure and training mode in association with building a learning society, ensuring conditions for raising the training quality while combining traditional and modern values, maintaining the socialist orientation and bearing the national identity. By 2025, UFM will have become an application-oriented university accredited by the Ministry of Education and Training when some of its training programs will meet the quality standards of the ASEAN University Network (AUN-QA). By the year 2030, the University will attain the level of a state-of-the-art university in Southeast Asia.

UNIVERSITY OF FINANCE AND ACCOUNTANCY



Belonging to the Ministry of Finance, University of Finance and Accountancy (UFA) is an undergraduate and postgraduate training institution. Its mission is training, fostering, providing learners with quality training programs with application orientation in the fields of business, administration and law; it also carries out scientific researches and transfers these scientific research results into practice; contributing to human resource and community development, serving the socio-economic development of the Central Highlands provinces, the whole country and the Central provinces of Lao People's Democratic Republic in the context of global economy integration.

With the main campus in Quang Ngai province and a branch in Thua Thien Hue province, the training scale of the University is increasing day by day. In the field of undergraduate training, the University is specialized in Accounting, Auditing, Economic Law, Finance - Banking, Business Administration, International Business. In the field of postgraduate training, the University is specialized in Finance and Banking at Master level. Along with improving the quality of professional skills, the University devotes a great deal of effort in connecting with businesses to create jobs for graduate students; creating an environment for students to practice essential skills through yearly activities of the Youth Union, the Student's Association, professional academic competitions, clubs, etc. Many remarkable achievements have been obtained by UFA students in recent years: 02 "January Star" Awards, 01 First Prize in "Olympic English for Students in Quang Ngai Province", 01 Consolation Prize in the national final round of the contest "Students with Financial Management Skills 2019", 01 Third Prize and 01 Consolation Prize at the contest "Startup Ideas" in Quang Ngai province, Top 20 "National Student Leader Contest", etc. With a long history of over 45 years of construction and development (1976-2021), the University has trained and fostered nearly 60 thousand students with practical knowledge and skills sought by employers. Many students of the University have been affirming their contribution to the financial system in the Central and Central Highlands region as well as in Vietnam. The University has received a large number of noble awards from the Vietnamese State. This is the recognition of the social community for the quality and the University's brand with its identity: "Quality - Friendliness - Creation - Integration".

INSTITUTE OF FINANCIAL TRAINING



The Institute of Financial Training (IFT) under the Ministry of Finance was established by the Prime Minister in 2006. The Institute is not only responsible for training civil servants in accordance to professional standard, but also contributes to socio-economic solution. Hence, the school helps to develop and plan strategies and policies for the financial sector. The IFT has built a reputation for its intensive training programs, which are tied to the country's current economic and financial management practices, the application of information technology, and the trend of globalization.

Training at IFT improve ones' knowledge, qualifications and skills in order to become managers and higher professional - level officials. They are equipped to serve up to high professional standards, to become experts in economics and finance, and lastly, to be professional, diligent, intelligent and flexible civil servants, who meet the requirements of the country's economic development in this period of industrialization, modernization and international economic integration. On average, IFT has trained over 10,000 students in the financial sector with over 200 different classes annually. IFT is known as the largest and most prestigious institute in the country in terms of providing training, retraining, financial and accounting consulting services to the society.

**NATIONAL TEACHER. ASSOCIATE PROFESSOR NGUYEN TRONG CO
PRESIDENT OF THE ACADEMY OF FINANCE**



National teacher. Assoc. Prof. Nguyen Trong Co is the President of the Academy of Finance. He has been working for the Academy of Finance since he was young and played different roles as Lecturer, Head of Financial Analysis Department, Deputy Head of Human Resources Department before becoming Vice President of the Academy of Finance. He was nominated as the President of Academy of Finance in 2014 and has been in that position so far.

He is the Editor of the Journal of Finance and Accounting Research and serves the Scientific Board of Finance Research Sector as Vice President and a member of *Scientific Board of Banking Research Sector*.

He was also nominated as honour member of FCPA Australia.

Assoc. Prof. Nguyen Trong Co is the author/co-author of more than 21 valuable text books and supplementary materials such as "Financial Analysis", Finance Publishing House, 2017, "Auditing management and Usage of mineral resources for sustainable development in Viet Nam", Finance Publishing House, 2016 and etc.

He has researched actively with more than 20 research projects spread on different fields: Corporate Finance and public finance, and Technological Markets. In the Academy of Finance, he has published more than 70 articles in both local journals and international journals.

DR. HOANG DUC LONG
PRESIDENT OF UNIVERSITY OF FINANCE-MARKETING



Dr. Hoang Duc Long is the President of the University of Finance-Marketing. He previously worked at the Academy of Finance before transferring to the Ministry of Finance. While working there, he took the post of the head of the Training Office (under the Personnel and Organization Department), and was promoted to the Deputy Director of Personnel and Organization Department cum the chairman of the Board of Trustees, formally known as the Board of Directors, of the University of Finance-Marketing.

Then, he was assigned to run this university in January 2016. Seven months later, he was officially appointed as the President of the university and has been in this position up to now. During his term here, he was the co-author of the two ministry-level research projects which have been evaluated and implemented. Before that, he had completed numerous ministry-level research projects during his service at the Ministry of Finance and advised the leaders of this ministry on issuing many important legal documents of the Vietnamese finance sector. To recognize his contribution and merits, he was awarded the third class Labor Order in 2011 by the State of Vietnam.

DR. PHAM SY HUNG
RECTOR OF THE UNIVERSITY OF FINANCE AND ACCOUNTANCY



Dr. Pham Sy Hung, the Rector of the University of Finance and Accountancy, has worked at the University of Finance and Accountancy since graduating in 1987. In the period 1987-1998, Dr. Pham Sy Hung played various roles as Teacher, Deputy Head of Training Management Department of the Junior College of Finance and Accountancy No.3.

During the period 1998-2008, Dr. Pham Sy Hung was the Deputy Head of the Training Management and Science Department of the College of Finance and Accountancy before being appointed as the Vice Rector of the College of Finance and Accountancy in 2008. When the College was upgraded to become the University of Finance and Accountancy in 2011, Dr. Pham Sy Hung was appointed as the Vice Rector. In 2018, he was appointed as the Rector of the University of Finance and Accountancy and has held that position until now. Currently, he is also the Deputy Editor of the Journal of Science of Finance and Accounting. He has participated in many research projects at all levels. He is the co-author of some valuable textbooks and supplementary materials, he has published many articles of high scientific value.

MR. DO VAN TRUONG, MSC
- DIRECTOR OF INSTITUTE OF FINANCIAL TRAINING (IFT)
- MINISTRY OF FINANCE.



Mr. Do Van Truong is known as an enthusiastic leader in the field of training civil servants. Graduated with an Accounting degree from Hanoi University of Finance and Accounting (now Academy of Finance), he has years of managing experience in finance - accounting, banking, etc and has been promoted through many positions such as Financial Inspector, Secretary of Deputy Minister - Ministry of Finance, Deputy Chief of Office - Ministry of Finance.

His colleagues praise him for his breakthroughs in digital transformation and application of information technology in training programs. He has launched many training programs in response to professional management needs in the finance sector. Director Do Van Truong has the motto, which is “training must always be tied to the current needs and practice of financial management.”

KEYNOTE SPEAKERS**ASSOCIATE PROFESSOR SIMONE DOMENICOSCAGNELLI**

Associate Dean, Accounting and Finance
School of Business and Law, Edith Cowan
University, Perth, Australia

- Italian Research Center for Shared Value, Co-founder
- European Accounting Association, member
- Sustainability Accounting Standard Board Alliance, member
- Italian Academy of Business Administration (AIDEA), member
- Italian Society of Accounting Scholars (SIDREA), member
- Italian registry of professional Auditors, member

Associate Professor Scagnelli was awarded his Ph.D in 2005 from the University of Turin, in Italy, with a thesis focussing on the accountability and measurement issues of Management Information Systems. Prior to joining ECU as Associate Professor, DrScagnelli was Associate Professor at the Department of Management, University of Turin, Italy, and was the Head of International Relations and Director of the International Bachelor in Business & Management. From 2012 to 2018, he was also Adjunct Professor of Financial & Managerial Accounting at ESCP Europe, one of the top Business Schools in the World. Associate Professor Scagnelli's research has been mostly in Accounting, with a particular focus on Corporate Social Responsibility. He has presented at leading international conferences and published in scholarly international journals such as the Australian Accounting Review, Corporate Social Responsibility and Environmental Management, and Pacific Accounting Review. His international research partnerships span the countries of Italy, UK, Germany, Russia, Australia and Japan, where has obtained a number of research grants. He has also supervised research students to completion at the PhD level. Associate Professor Scagnelli has also developed an extensive experience in the industry. Prior to joining Academia, he was associate partner at a leading Italian Law and Accounting firm, providing advisory services to national and multinational companies in the Automotive, Aerospace and ICT industries. Associate Professor Simone Scagnelli is now Associate Dean Accounting and Finance in School of Business and Law.

KEYNOTE SPEAKERS**ASSOCIATE PROFESSOR. FARHAD TAGHIZADEH-HESARY**

PhD/Associate Professor of Economics, Tokai University/Visiting Professor, Faculty of Economics, Keio University/

Dr. Farhad Taghizadeh-Hesary is an associate professor of economics at Tokai University in Japan, and a visiting professor at Keio University, Japan. He completed his master's degree in energy economics from Tehran University, Iran, in 2011. Subsequently, He obtained a Ph.D. in energy economics from Keio University in 2015 with a scholarship from the government of Japan (MEXT). He has taught as an assistant professor at Keio following the completion of his Ph.D. until March 2018 and as an assistant professor at the faculty of political science and economics of Waseda University 2018-2020.

He is a recipient of the Excellent Young Researcher (LEADER) status from the Ministry of Education, Culture, Sports, Science, and Technology (MEXT) of Japan with a five years' competitive research grant (2019-2024). Presently he is also a visiting professor at Chiang Mai University (Thailand) and a distinguished research fellow and external scientific member at the University of Economics Ho Chi Minh City (Vietnam). Dr. Taghizadeh-Hesary was visiting scholar, visiting professor, and visiting fellow at several institutions and universities such as the Institute of Energy Economics of Japan (IEEJ) (2013–2015); the Credit Risk Database (CRD) association of Japan (2014–2015); Graduate School of Economics of the University of Tokyo (2016–2017), Griffith University, (Australia; 2019); The University of Tasmania, (Australia; 2019).

Dr. Taghizadeh-Hesary has published a wide range of topics, including energy economics, energy policy, green finance, small and medium-sized enterprises finance, monetary policy, banking, and the Asian and Japanese economies. Dr. Taghizadeh-Hesary led, managed, and has been involved in dozens of research, capacity building and training (CBT) and consulting projects on energy, economic, and financial related topics for the international organizations and institutions, including; United Nations; Asian Development Bank, Asian Development Bank Institute; Economic Research Institute for ASEAN and East Asia; Central Asian Regional Economic Cooperation Institute; and financial institutions and governments of various countries.

I. LIST OF CONFERENCE ORGANIZERS AND COORDINATORS

No.	Unit	Duty	Note
1	Academy of Finance	Host	Lead-organizer
2	University of Finance - Marketing	Co-host	Co-organizer
3	University of Finance and Accountancy	Co-host	Co-organizer
4	Institute of Financial Training	Co-host	Co-organizer

II. LIST OF CONFERENCE ORGANIZING COMMITTEE

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4	Dr. Nguyen Dao Tung	Vice President of Academy of Finance	Deputy Chairman
5	Dr. Pham Sy Hung	Rector of University of Finance and Accountancy	Deputy Chairman
6	Assoc. Prof. Dr. Ho Thuy Tien	Vice President of University of Finance - Marketing	Deputy Chairman
7	MSc. Do Van Truong	President of Institute of Financial Training	Deputy Chairman
8	Assoc. Prof. Dr. Ngo Thanh Hoang	Director of Science Research Management, Academy of Finance	Deputy Chairman

2. ORGANIZATION BOARD

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42	Dr. Nguyen Thi Le Huyen	Business Administration Faculty, University of Finance and Accountancy	Commissioner
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44	Assoc. Prof. Dr. Phan Thi Hang Nga	Vice Director of Science Research Management, University of Finance - Marketing	Commissioner
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50	Dr. Nguyen Phi Hung	Vice Director of Facilities Management, Academy of Finance	Commissioner
51	Dr. Pham Van Nghia	Vice Director of Human Resources Management, Academy of Finance	Commissioner

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Welcome Notes

Dear Friends and Colleagues,

We are pleased to welcome you to The Third International Conference on “Finance and Accounting for the Promotion of Sustainable Development in Private Sector”, (FASPS-3), which is jointly organized by *Academy of Finance, University of Finance - Marketing, University of Finance - Accounting, Institute of Finance Training*.

According to the Resolution of the XIII Communist Party Congress, there have been multiple viewpoints and directions on state management in which there are significant viewpoints on private economy. Continue to promote thinking and awareness of private sector development and make private sector a “major motivator” of the socialist-oriented market economy in Vietnam. However, there are various difficulties and challenges ahead for private sector in the years to come. In 2021, Academy of Finance schedules to coordinate with other schools and institutes under Ministry of Finance to organize an international conference on “Finance and Accounting for the Promotion of Sustainable Development in Private Sector”. With goals to achieve recommendations, analyses, assessments, policies and solutions regarding finance and accounting to promote the sustainable development of private sector and ensure the overall goal to turn Vietnam into a high-income nation by 2045. We are especially honoured to have:

1. Associate Professor Simone Domenico Scagnelli - *Accounting and Finance School of Business and Law, Edith Cowan University, Perth, Australia*

2. Associate Professor Farhad taghizadeh-hesary - *PhD/Associate Professor of Economics, Tokai University/Visiting Professor, Faculty of Economics, Keio University.*

We are indebted to members of the Organizing Committee particularly, **Professor Trong Co Nguyen** (*President of Academy of Finance, Vietnam*), for their support to make this International Conference a great success.

We are indebted to members of the Organizing Committee for their support to make this International Conference a great success.

We wish you all an intellectually stimulating and productive conference!

On behalf of the Organizing Committee,

Nguyen Trong Co

INTRODUCTION REMARKS OF THE 3RD INTERNATIONAL CONFERENCE ON FINANCE AND ACCOUNTING FOR THE PROMOTION OF SUSTAINABLE DEVELOPMENT IN PRIVATE SECTOR (FASPS3)

The 5th Meeting of the Party Central Committee (Term XII) released Resolution 10-NQ/TW regarding the development of private sector. The resolution set goals at the promotion of private sector to be a key motivator for the socialist-oriented market economy, fast and sustainable growth of private sector in both number and scale against GDP. The 13th Party Congress confirmed “fast and sustainable development of private sector will actually be an important motivator for economic development”. This is a big and consistent policy of the Party while promoting the private sector to continue developing, while promoting the role of private sector in socio-economic development and strengthening national security in the new situation. According to the 13th Party Congress, the role and position of the private economy has been raised, considering it as the driving force of the economy. It is necessary to continue to improve institutions, especially practical direction, and instruction to properly implement guidelines and policies, and further promote the potential of the private economy. After more than 35 years of reform, under the leadership of the Party, the private economy has developed widely throughout the country, making important contributions to economic development, mobilizing social resources for production and business, creating more jobs, improving the living of people, increasing the state budget, consolidating political stability and social security. The private economy continuously kept a good growth rate, accounting for 39-40% of GDP, attracting about 85% of the economy’s workforce, making an important contribution to mobilizing social resources for investment and development of production and business, economic growth, economic restructure, state budget revenue, job creation, improvement of people’s living and social security.

However, the productivity and growth rate of the private sector are low and limited, most enterprises in this sector are micro and small size (accounting for over 97% of the total number of enterprises), their technology capacity is still limited as well, and even in some extent, it is still backward; enterprises have not invested properly in the application and development of science and technology, especially core technology and disruptive technology, etc.

In addition, the number of newly established private enterprises are high, but their ability to survive and develop is low, the increase in the number of private enterprises has not been associated with a breakthrough in development quality. To develop private sector in the period of 2021 - 2030, it is necessary to create opportunities for the private economy, especially private enterprises. and sustainable development based mainly on science and technology, innovation, and

digital transformation; innovating thinking and acting, proactively grasping in time, effectively taking advantage of opportunities of the Fourth Industrial Revolution in association with the international integration process to restructure the economy, develop the economy. digital economy, digital society; improve productivity, quality, efficiency, and competitiveness.

In order to build and facilitate a system of theoretical and practical bases with more complete solutions and recommendations for the rapid and sustainable development of the private economy in the new context, the Academy of Finance associates with the University of Finance and Marketing, the University of Finance and Accounting and the Institute of Financial Training to co-organize the third International Conference on: "Finance and Accounting for the Promotion of Sustainable Development in Private Sector". The conference has attracted the participation of hundreds of scientists from local and global universities, academies, research institutes, businesses, and organizations. The Organizing Committee has received 120 contribution articles and has selected and edited 98 qualified articles to be published in the Proceedings. The articles focus on analyzing, evaluating, and sharing views on economics, finance, administration, human resources, accounting and auditing, policies, etc. in association with the development of the private economy.

The research articles have high scientific content, demonstrating the diversity in approaches to rapid and sustainable private economic development. The Organizing Committee expects that the conference will be an academic forum to link local and global scientists, managers, business administrators and professional organizations to exchange and share views and recommend solutions to economics, finance and accounting, governance, digital transformation, guidelines and policies, resources and barriers, advantages and disadvantages of the private economy....to promote the private sector become an important motivator for economic development in Vietnam in the coming period.

We wish all delegates, researchers and scientists good health, happiness and success.

Thank you very much,

ORGANIZING COMMITTEE

SOLUTIONS TO PROMOTE EFFICIENCY IN EDUCATIONAL FINANCIAL MANAGEMENT IN BAC KAN PROVINCE

Assoc. Prof. PhD. Nguyen Trong Co¹, PhD. Ngo Thi Thuy Quyen¹, Assoc. Prof. PhD. Nguyen Manh Thieu¹

Abstract: *Bac Kan province possesses the characteristics of a northern mountainous province where socio-economic conditions still face many difficulties, with a large number of ethnic minorities and mainly be financed by funding from the central budget. Over the past few years, the education and training sector of Bac Kan province has focused on promoting and improving the efficiency of financial management in general through various tools and measures, including the assignment of financial autonomy for education and training institutions in the province. This has opened up and created opportunities for education and training institutions to improve their positivity, initiative and creativity in managing their finances and assets, using the allocated state budget economically and efficiently. This article aims at analyzing and evaluating the process of financial autonomy implementation at non-business units of education and training in Bac Kan province, thereby specifying the achieved results, limitations and reasons to propose feasible solutions to enhance the implementation of autonomy, contributing to improving the efficiency of financial management in these units.*

Keywords: *financial autonomy, education career*

INTRODUCTION:

Measurement of effectiveness in financial management of education” is a complex issue, not only because “effectiveness” itself, “measurement of effectiveness” are frequently used terms but it is difficult to determine the evaluation criteria, but also because educational products are cumulative and multidimensional, while the market price of educational products is not available or very difficult to value; In addition, the content of financial management in education is also not a simple matter.

Financial management in public non-business units in general and non-business education units (NBEU) in particular is often studied according to the contents associated with financial flows in the unit, including: revenue sources, task of spending, defining and processing, and distributing results. These are also the contents that are assigned autonomously to the non-business education units.

With the aim of proposing solutions to improve the efficiency of financial management of non-business education units in Bac Kan province, through solutions to enhance their financial autonomy, this article consists of 3 main parts as follows:

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1. Overview of Bac Kan Province and their system of non-business education units
2. A brief overview of the financial autonomy situation at non-business education units in Bac Kan province
3. Proposal of solutions to enhance financial autonomy in non-business education units in Bac Kan province

Content:

1. OVERVIEW OF BAC KAN PROVINCE AND THEIR SYSTEM OF NON-BUSINESS EDUCATION UNITS

Bac Kan is a mountainous province located in the inland center of the Northeastern region of Vietnam. There are 8 administrative units, including 01 city (Bac Kan city) and 07 districts (Ba Be, Bach Thong, Cho Don, Cho Moi, Na Ri, Ngan Son, Pac Nam) with 108 communes and wards. Bac Kan's population (as of April 1st, 2019) is 313,905 people, ranking 63rd in the country (of which, the Kinh ethnic group has 37,615 people, accounting for 11.98%). The per capita income of Bac Kan citizen ranks only 60/63 provinces and cities across the country, with multidimensional access poor households accounting for over 19% of the total number of households in the area, ranking at the 6th out of 63 provinces.

Bac Kan people live quite separately due to the sparse population density (65 people/km²), plus complicated terrain and unfavorable traffic condition, thus, the organization of community activities as well as cultural, education and health care development are all facing difficulties.

The annual budget revenue of Bac Kan province has been low (accounting for only about 20% of the total state budget revenue), the expenditure source for the operational activities of the whole province is largely dependent on the central budget.

Currently, Bac Kan has 17 provincial non-business education units, including 1 political school, 2 centers, 1 college and junior and high schools.

With the characteristics of a mountainous province, the number of state-financed students always accounts for a certain percentage (about 30%), but the non-business units in the field of education and training in Bac Kan province always fulfill their teaching and learning tasks, step by step improving the quality of education and training services. The majority (95%) of the teachers at the non-business education units in Bac Kan province have graduate or higher degrees, the number of excellent teachers at all levels has always been maintained at 9% in the whole period of 2013 - 2019.

2. A BRIEF OVERVIEW OF THE FINANCIAL AUTONOMY SITUATION AT NON-BUSINESS EDUCATION UNITS IN BAC KAN PROVINCE

2.1. The status of classification of non-business education unit types at the provincial level in Bac Kan province

In each period of autonomy, the management agencies at all levels of Bac Kan province have issued decisions to assign autonomy to each unit. However, having the characteristics of a mountainous province, the average rate of expenditure on education and training has remained low, thus, the implementation of the autonomy mechanism in non-business education units has

been facing many difficulties. There is not any unit that can cover all recurrent expenditures by themselves in the whole province of Bac Kan. Only a small percentage of units cover a part of recurrent expenditure, whereas most are guaranteed by the state budget.

2.2. Situation of autonomy in revenue sources at provincial-level non-business education units in Bac Kan province.

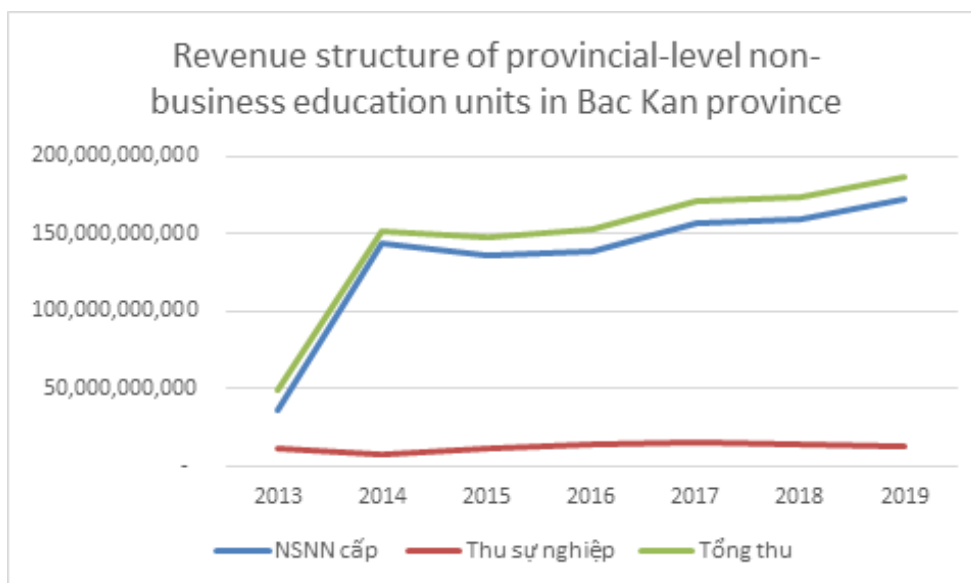


Figure: Revenue structure of Bac Kan provincial-level non-business education units

Source: Synthesized from data of units

The figure clearly shows the source of revenue of the state budget revenue units depends entirely on the state budget. The graph shows that the revenue from the state budget dominates the total revenue both in terms of evolution and shape. On average, during the whole period, state budget funding accounted for about 89.7% of the total revenue of non-business education units.

This is understandable because of the sparse population density, very low average income while the education sector in the province has been making great efforts to implement the sector's activities. With a small number of students, mainly ethnic minority students receiving subsidies from the state budget, it is difficult to expand and develop educational service activities without using the state budget. Therefore, the main source of funding for the provincial-level education units is from the state budget.

2.3. Expenditure autonomy at provincial non-business education units in Bac Kan province

The units have proactively arranged and arranged reasonable labor, implemented democratic publicity in management and financial expenditures, saving regular operating expenses. However, since most of the non-business education units are funded by the state budget, their regular operating expenses are mainly salaries (accounting for about 60 - 70% of total recurrent expenditure), and there are no conditions to develop professional activities (because other expenses are small).

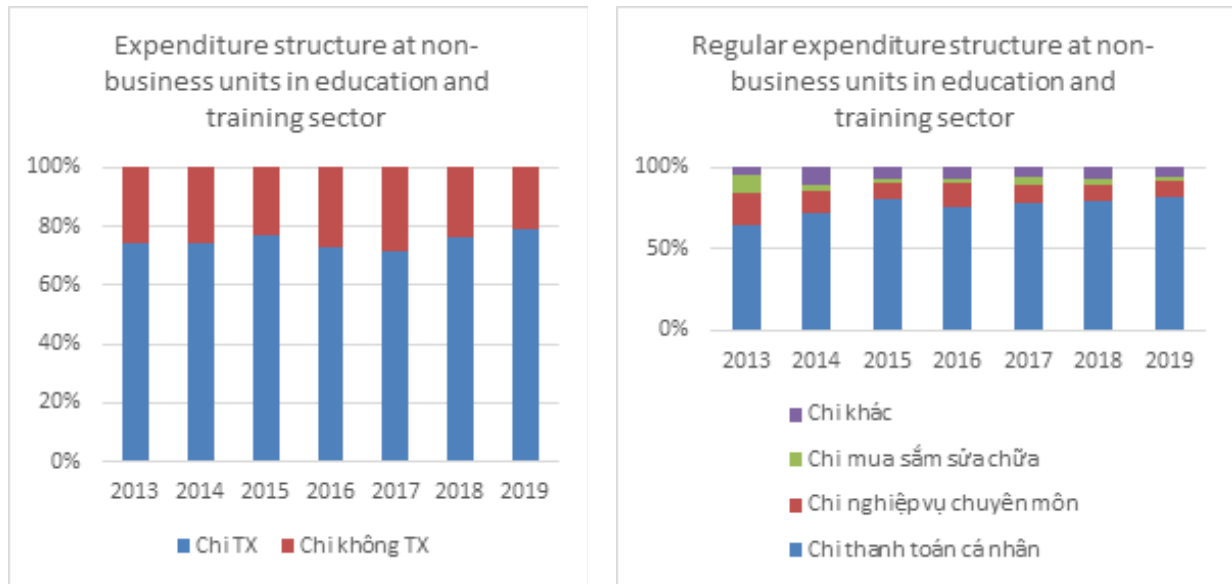


Figure: Structure of expenditures at non-business education units

(Source: Synthesized from data of units)

2.4. The status of autonomy in the distribution of results at provincial-level non-business education units in Bac Kan province

Most of non-business education units are financed by the state budget with low revenues (mostly less than 10 %) and a great number of state-subsidized students, thus their savings is not large and the extra income of employees is not high. Details of the savings and extra income at non-business education units are shown in the figure below:

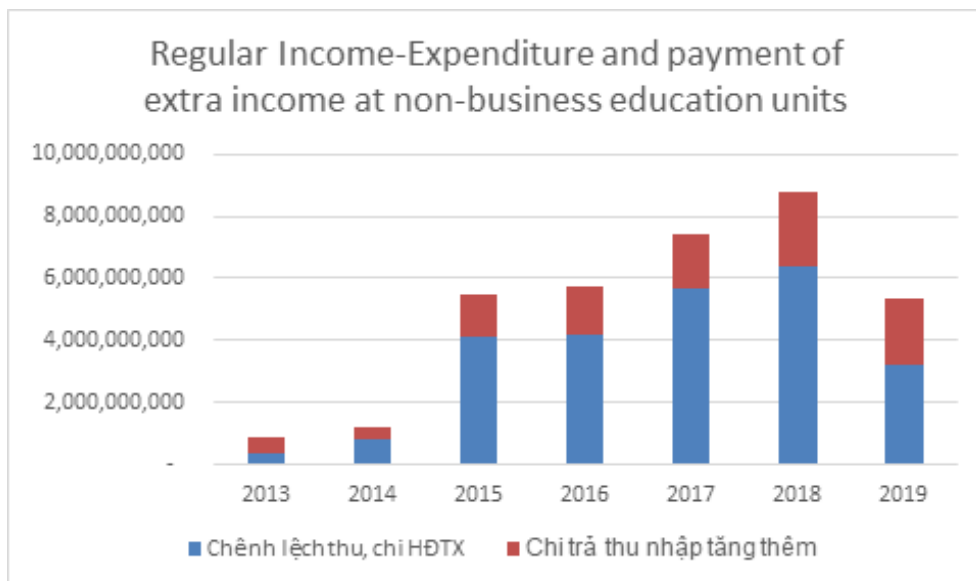


Figure: The difference between regular income and expenditure and the payment of extra income at non-business education units in Bac Kan Province

(Source: Synthesized from the data of the units)

Besides, there are units who have no savings. There is a big difference between units with the highest and the lowest extra income.

2.5. The actual situation of developing and implementing internal spending regulations at provincial-level

100% of non-business education units in Bac Kan province develop internal spending regulations on the principle of democracy, consented by leaders, trade unions and cadres and officials through the meeting of officials and employees. The units also strengthen the management and supervision (especially the practice of thrift and anti-waste) to ensure the good implementation of the regulations established in the internal spending regulations and consistent with the operating characteristics of each unit.

2.6. Evaluation of the actual situation of implementing the financial autonomy mechanism at the provincial non-business education units in Bac Kan province

*** Achievements**

It can be seen that the implementation of the autonomy mechanism in the field of education and training in the past time has recently gained some achievements as follows:

- Most of the non-business units of education and training sector in Bac Kan province are funded by the state budget. They are assigned with estimates from the beginning of the year therefore, they are proactive in making spending plan for the year, meeting the requirements of professional tasks performance, without any difficulties due to the lack of timely funding. In addition, the funds to pay for policy-supported students according to regulations have been fully provided.

- Units have focused on cost and expense management, initially implemented cost classification to better control costs.

- Units have proactively arranged reasonable and scientific labor to save costs and implement the policy of downsizing the staff.

- The development of internal spending regulations at the units has basically generalized all revenue sources and expenditure contents.

*** Difficulties, limitations and causes**

- In the regulations on revenue, there are only regulations on tuition fees and several other types of fees, Bac Kan province has not yet issued regulations on other revenues. This makes it difficult for some schools to organize service activities outside of regular class time for students such as: tutoring, extra tutoring after hours, day-boarding activities, etc.

- The current regulations of budget allocation for recurrent expenditure on education makes the spending norm for professional and other activities of the schools very low, not to mention that the units still have to try harder to have 10% savings in operating expenses.

- Some units can not pay additional income for employees because they have no savings, nor the source to set aside funds such as: fund for development of non-business activities, bonus and welfare fund or standby fund to stabilize income.

- The facilities at the schools only meet about 54% of the actual needs, especially with the new curriculum, it is necessary to design separate rooms to study subjects. Especially, there is a considerable lack of teaching and learning equipment which has no budget to be allocated for. The current national target program only allows repair, rather than new construction, but with the current physical condition, it cannot be repaired on the base of thatched cottages.

- Although the units have implemented the classification of expenditures according to regulations, most of the units have not differentiated between the two concepts of expenditure and cost, leading to some limitations in accounting work such as: uncalculated depreciation and inseparated other expenses. Therefore, the units have not been able to calculate the cost of services provided by their units.

- With the characteristics of a difficult mountainous province, it is very difficult to develop public services without using the state budget in the field of education and training in Bac Kan. For public services using the state budget, it is not possible to establish technical and economic norms of these services, and there is no basis to determine the price of education and training services in the province.

- Currently, Bac Kan Provincial People's Committee has not issued a list of public non-business services using and not using state budget funds for the field of education and training in the area. The latest document on this issue is the Official Dispatch No. 1818/SGD&DT-KHTC dated August 19th, 2021 of the Department of Education and Training explaining the draft proposal to promulgate a list of public services using the state budget in the fields of Education & Training. This is a significant obstacle in the process of organizing professional activities of public educational non-business units. Accordingly, it directly affects the revenue of a number of units that have the conditions and ability to perform public non-business service activities without using state budget funds.

3. SOME SOLUTIONS TO ENHANCE FINANCIAL AUTONOMY IN NON-BUSINESS EDUCATION UNITS IN BAC KAN PROVINCE

3.1. Continue to improve mechanisms and policies related to the implementation of financial autonomy of non-business units

The biggest barrier in the process of autonomy implementation in non-business education units in general (not only in Bac Kan) is that mechanisms and policies related to the implementation of financial autonomy are not synchronous, and not creating the motivation for units to implement the autonomy mechanism. In other words, to "untangle" in the implementation of autonomy in non-business education units, it is necessary to start from the biggest "bottleneck" - perfecting the policy mechanism, or perfecting the legal framework for autonomy; reviewing, amending, supplementing and adjusting legal documents, especially specialized laws and other relevant legal documents in order to ensure consistency and create favorable conditions and effective delivery of public services. Accordingly, the system of documents as the basis for building mechanisms and policies for autonomy should continue to focus on the following basic contents:

Firstly, strengthen the improvement of legal policies on non-business education units. In particular, it is necessary to further strengthen the autonomy and self-responsibility for non-business education units in terms of tasks, organizational apparatus, staffing and finance. Continue to amend and supplement the law on civil servants and public employees in the direction of promoting decentralization, granting autonomy to the non-business education units, and clearly delineating state management from unit management and public career services supply.

Secondly, build economic and technical norms of non-business education services; criteria and standards for the quality of non-business education services; mechanism for monitoring, evaluating and accrediting the quality of non-business education services; operational efficiency of the non-business education units under the local management.

Thirdly, invest in facilities and people to ensure the quality of educational services. Renovate mechanisms and methods of recruiting, employing and managing public employees (including managerial staffs).

Fourthly, promote the provision of public services according to the market mechanism, and promote the socialization of non-business education services. Accordingly, identify and review the list of non-business education services using state budget funds, other services not using the state budget are priced according to the market mechanism, the unit is entitled to decide the revenues and the guaranteed collection rates to ensure reasonable and cumulative expenses. There should be policies to encourage preferential treatment and equal treatment between public and non-public non-business education units in the provision of community exchange services.

Fifthly, strengthen the accreditation of the quality of non-business education services. Speed up the completion of quality accreditation for non-business education service providers, encouraging units to participate in quality accreditation according to regional and international standards; Implement the ratings, enhance transparency of information on conditions to ensure quality of non-business education services in order to improve autonomy.

Sixthly, perfect the financial mechanism of the non-business education units. Accordingly, it is necessary to supplement specific regulations on the financial sources of the public non-business units in the direction of clearly separating the revenue from the provision of public administrative services in the list of public administrative services using the state budget and the revenues from the public administrative services which are not on the list of public non-business services funded by the state budget; revenue from production and business activities, joint ventures, associations and other services. Supplement regulations on expenditures from service revenue in the direction that the non-business education units are entitled to autonomously decide recurrent expenditures according to the internal spending regulations/financial regulations and must separately account the expenses direct costs for the provision of prescribed services.

3.2. Strengthen management capacity of governing bodies and financial institutions

With the understanding of autonomy as self-determination, the content of autonomy in non-business education units cannot only include only financial autonomy; Financial autonomy must be associated with autonomy in terms of operations, expertise and tasks and autonomy of the apparatus. In particular, the core issue of autonomy in non-business education units is built on

the operation of the unit, with the view that the unit itself is the one who understands itself and its customers to build most optimal operational strategies. At the same time, the governing body and the financial agency do not need/should interfere too deeply in the operation of the unit. Meanwhile, the relationship between the governing body, the financial agency and the unit is no longer an imperative relationship but changes to an inspection and supervision.

However, autonomy does not mean completely “floating” non-business education units. Furthermore, autonomy always comes with accountability. Therefore, in order for the autonomy mechanism for the community to be truly effective, in addition to the factors from the unit itself, the policy mechanism, the role of management agencies and financial organizations cannot be denied. In addition, accountability must include internality (internal entities - employees) and externality (superior agencies and related parties such as: customers - students, parents and community, local agencies, ...).

3.3. Strengthen the governance capacity of non-business education units

When there are “necessary” conditions for autonomy such as a legal framework, an open and synchronous policy mechanism, then the conditions “enough” for the successful implementation of autonomy lie in the non-business education units themselves. In other words, the success/failure of the autonomy process in each non-business education unit is clearly demonstrated through governance capacity in general, including financial management and public assets in particular. Promulgate regulations on management of public finances and assets, clearly defining the authority and responsibility of each department and individual, especially the responsibilities of the leader. Complete the accounting regime, implement the audit and supervision regime, ensuring the publicity and transparency of the entity’s financial activities.

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IMPROVING THE BUSINESS ENVIRONMENT TO PROMOTE PRIVATE ENTERPRISES ACTIVITIES IN VIETNAM

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Abstract: *This study analyzes the impacts of the business environment on the performance of private enterprises in Vietnam in the period 2010 - 2018. This study used the Cobb-Douglas production function to build an empirical model by using a suitable quantitative method. The study used panel data matching from two data sets including the annual survey on enterprises data set conducting by GSO and the data set on PCI from VCCI. The experimental result with fixed effect shows that: Business environment has improved the performance of private enterprises in Vietnam, driven by the factors: entry costs; access to land; labor training. Among these, labor training and access to land have the strongest influence. Leadership dynamism and informal costs show the opposite effect on the operating results of private enterprises, showing worrying points in some problems of the business environment in Vietnam, although the business environment has improved a lot, it has not been completely eliminated. This finding confirms the necessity of improving the business environment to promote productivity and performance of private enterprises in Vietnam in the next time.*

Keywords: *Business environment, performance result, private enterprises.*

1. INTRODUCTION

After more than 30 years of renovation, the private sector in Vietnam has grown rapidly in both quantity and quality. The role of the private sector in promoting economic growth is increasingly asserting. This is the largest sector in the proportion of total enterprises, with almost all industries that are not prohibited by law, including high-tech, high-productivity industries, although still very limited. To promote the development of private enterprises, it is necessary to create a favorable business environment and support the development of private enterprises.

Institutional changes have encouraged to development business sector, especially the private sector. The 5th Central Committee Conference (IX tenure) on 18/3/2002 approved Resolution 14-NQ/TW on “continuing to renovate mechanisms and policies, encouraging and creating conditions for the development of the private economy” – promoting private sector development strongly. According to the Enterprise Survey in 2018, the proportion of the private sector accounted for 95.70%, this sector also attracted the most investment capital in the regions (53%), attracted more than 5 million employees. With the outstanding development, the Party has completely changed its thinking and perception to promote the development of the private sector.

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There have been many studies related to analyzing the influence of the business environment on the development of enterprises such as Bulow (2015); Russell (2008); Tuyen et al (2016). Where business environment is one of two aspects of institution. Based on these studies, we investigated the impact of some aspects reflecting business environment on private enterprises. There were many indicators reflecting the business environment in Vietnam. In which, PCI included many indicators which was the best represent for business environment (Viet et al (2014), Pham The Anh and Nguyen Duc Hung (2014)). However, studies for private enterprises are few. Therefore, the study focuses on assessing the influence of business environment factors on the performance of private enterprises in Vietnam.

2. LITERATURE REVIEW

According to World Bank (2005), the business environment is defined as a set of specific factors that create opportunities and incentives for enterprises to conduct investment activities, expand the business scale and grow. Elements of the business environment include formal institutional environment, informal institutional environment, and industry environment.

Acemoglu and Johnson (2005) measure formal institutions based on two aspects: institutions of property ownership and institutions of contract enforcement. Property ownership institutions refer to the role of the Government in protecting private property rights. The institution of contract enforcement concerns the role of the legal system in resolving contract disputes.

The business environment directly affects the business results of the business. An asynchronous, comprehensive, and transparent environment will create favorable conditions for enterprises to conduct production and business activities more easily and effectively (Bulow, 2015). On the contrary, if the business environment is unstable and complicated, it will become a barrier for enterprises to operate and develop. Anh and Phuong (2015); Tuyen et al. (2016) used a PCI index consisting of 9 components, the experimental results show that only the time cost indicator gives opposite results, negatively affecting the performance of enterprises.

Previous studies have also come to conflicting conclusions. Joseph et al (2013) point out the negative impact of the institutional environment on export performance. Research suggests that only a few indicators positively affect small and new enterprises, poor institutional quality does not hinder business performance. It is possible that this study lacks geographic data such as between urban and rural areas, and has not controlled for intermediate variables.

Thus, the impact of institutions on the performance of enterprises is different in previous studies, possibly due to studies conducted in different types of enterprises such as the study of Anh and Phuong (2016), research on DNFDI, while the study of Tuyen et al (2016) is about SMEs (mainly non-state enterprises). Also according to Yi Che et al. (2011) pointed out that institutions have a positive impact on the survival of private enterprises. He argues that the institutional impact on firm performance varies across types of firms. Sumon et al. (2012) also give different results when studying from an industry perspective, or between countries, there may be different results when studying in developed countries and countries with new economies. as famous as Vietnam.

Therefore, studying the impact of the business environment on the performance of SMEs is still essential to come up with policies to improve institutions, build a favorable business environment for the development of enterprises, especially SMEs. Yi Che et al. (2011) pointed out that the institutions that affect the performance of enterprises are different between SOEs and private enterprises.

The objective of the study is to evaluate the influence of the business environment on the performance of private enterprises. Empirical research results are an important basis for policymakers to implement solutions to improve the local business environment to promote private enterprises to operate more effectively.

3. METHODOLOGY AND PROPOSED MODEL

3.1. Data

This study used two data sources. The first data are taken from the General Statistics Office (GSO) Annual Enterprise Survey from 2010-2018. Research to exclude enterprises with unreasonable information such as assets, number of employees, and revenue that are not positive or have lost value, adjusted for the deflation index with value variables. The second data source is from the Provincial Competitiveness Index (PCI) survey conducted by the Vietnam Chamber of Commerce and Industry for the period 2010-2018. The survey provides nine sub-indices on the business environment of the provinces, including (i) Entry costs, which measures the time it takes enterprises to obtain the necessary licenses to start a business; (ii) Access to land, measuring stability in access and safety in land use; (iii) Transparency and accessibility to information, measuring enterprises' access to appropriate planning and legal documents to run their business; (iv) Time costs, measuring the time businesses have to spend to settle administrative procedures, comply with local regulations; (v) Informal charges, measuring enterprises' perceptions of corruption from provincial officials. (vi) The dynamism and creativity of the local government; (vii) Supporting business development; (viii) Labor training, measuring whether the provincial government promotes vocational training and skills development activities for local enterprises; (ix) Legal institutions, measuring enterprises' trust in provincial courts and contract enforcement.

Firms and the investigation of PCI provide a panel data set, assessing the impact of the institution, the provincial business environment on the performance of private enterprises in Vietnam. The performance of a private enterprise is measured by the total sales revenue (TR) and added value (VA) of the enterprise.

3.2. Model and methodology

To evaluate the influence of the business environment on the performance of private enterprises, the study proposes an empirical model based on the study of Sumon (2012); Anh and Phuong (2016), Anh and Hung (2014) with a constant Cobb-Douglas function to scale as follows:

$$Y = A \cdot K^{\beta_1} \cdot L^{1-\beta_1} \quad \text{Or} \quad \ln Y_i = \ln A_i + \beta_1 \cdot \ln K_i + \beta_2 \cdot \ln L_i \quad (1)$$

In which: Y_i is the output of enterprise i ; A_i is the technological capacity of enterprise i (factor productivity); K and L are the two inputs of capital and labor that private enterprises use;

β_1, β_2 is the elasticity of output in terms of capital and labor; Who is described by the following equation:

$$\ln A_i = a_o + a_1 C_{ij} + a_2 Z_{ij} + \sum_j \gamma_{ij} BE_{ij} + e_i \quad (2)$$

In which: BE_{ij} is the vector representing the j.th institutional indicator to the performance of firm i.th; C_{ij} is the vector of the variable controlling the influence of factors on the characteristics of SMEs, such as firm size, firm's age, financial leverage, employee income... have been shown by previous studies such as Donadelli et al (2014); Fisman and Svensson (2007); Z_{ij} is the control vector for the influence of other factors such as region; e_i is the model error and is considered as a normal and independently distributed random yield shock with zero mean and constant variance.

From (1) and (2) the model estimates the impact of financial quality on the performance of SMEs, assuming the production function has constant returns to scale as follows:

$$\ln Y_i = \beta_o + \beta_1 \cdot \ln K_i + \beta_2 \cdot \ln L_i + a_1 C_{ij} + a_2 Z_{ij} + \sum_j \gamma_{ij} BE_{ij} + \varepsilon_i \quad (3)$$

In which: T represents a time-fixed effect, and c_i represents an unobserved, spatially-fixed effect. The study uses the indicators of Sales and added value to measure the performance of private enterprises, the business environment measured by PCI has the form:

$$\ln Y_{ijt} = \beta_o + \beta_1 \cdot \ln K_{ijt} + \beta_2 \cdot \ln L_{ijt} + \beta_3 \cdot PCI_{ijt} + a_1 C_{ijt} + a_2 Z_{ijt} + T + c_i + u_{it} \quad (4)$$

4. RESEARCH RESULTS

4.1. Results of test

The study performs testing steps to select a suitable model with panel data, the tests used include Breusch - Pagan Lagrangian test to choose between REM random-effects model, fixed effects FEM, and Pooled OLS models; Hausman test to choose between REM and FEM models. In addition, VIF test to test the existence of multicollinearity present, Wald test for the existence of variable variance (Greene, 2000), Wooldridge test for autocorrelation (Wooldridge, 2002). The test results show that the fixed-effects model FE is consistent with the research data set. However, when testing the model's defects, the results show that there is a phenomenon of variable variance and autocorrelation. To control for defects in variable variance and autocorrelation, this study uses cluster correction (Hoechke, 2007). The VIF test results are all less than 2, so the models do not have multicollinearity defects.

4.2. Model regression result

4.2.1. Descriptive statistics

As a result of connecting the annual Enterprise Survey data with the PCI provincial competitiveness from 2010-2018, the study obtained balanced panel data consisting of 356,409 observations. The proportion of small and medium-sized enterprises accounts for 93.84%, only 6.16% are large-scale enterprises. The average PCI index reached 60.4 points. In which, the market entry index shows the highest rating (7.7 points); The dynamic index shows the lowest result (4.5 points); Access to land, informal costs, and legal institutions also show worrying results when they are only above 5 points.

4.2.2. Result of tests

The estimated results show that the elasticity of revenue and added value is about 2 times higher for average capital. The results of the impact of the input variables on the business results of private enterprises show the same direction, which is consistent with economic theory. The variable vector represents the characteristics of the enterprise that have a negative impact on the operating results of the private enterprise. Because private enterprises have a lot of experience but no improvement or improvement in an operational capacity, so business results decrease. The study of the influence of the business environment on the performance of private enterprises is shown by the general PCI index model and the component PCI index. The model estimation results show that institutions have a positive influence on the outputs of Vietnamese private enterprises, improving the business environment increases the added value of private enterprises stronger than the impact on revenue (Table 1). This result is supported by the study of Anh and Phuong (2015); Bulow (2015); Tuyen et al (2016).

Table 1: Impacts of business environment on private enterprises' performance

VARIABLES	lnTR	lnVA	lnTR	lnVA
lnK	0.257*** (0.006)	0.462*** (0.004)	0.175*** (0.006)	0.394*** (0.004)
lnL	0.501*** (0.009)	0.523*** (0.006)	0.511*** (0.008)	0.539*** (0.005)
PCI	0.038*** (0.001)	0.041*** (0.001)		
Entry cost			0.098*** (0.005)	0.125*** (0.004)
Access to land			0.146*** (0.004)	0.118*** (0.003)
Transparency			-0.062*** (0.006)	0.005 (0.005)
Cost of time			0.051*** (0.005)	0.003 (0.004)
Informal charges			-0.077*** (0.005)	-0.020*** (0.004)
Leadership dynamics			-0.040*** (0.004)	-0.048*** (0.003)
Firm support			-0.006 (0.006)	0.036*** (0.005)
Labor training			0.222*** (0.009)	0.232*** (0.007)
Legal institutions			-0.010** (0.005)	0.031*** (0.004)
Firm's age	-0.002* (0.001)	-0.005*** (0.001)	-0.001 (0.001)	-0.003*** (0.001)
Dummy_SMEs	-0.061***	-0.058***	-0.060***	-0.061***

	(0.019)	(0.016)	(0.019)	(0.016)
Brand	Yes	Yes	Yes	C Yes
Region	Yes	Yes	Yes	Yes
Constant	2.487***	-0.762***	3.150***	-1.022***
	(0.358)	(0.293)	(0.326)	(0.279)
Observations	133,105	133,105	133,105	133,105
R-squared	0.188	0.465	0.234	0.505
Breuch & Pagan LM	25123,13***	5539,85***	26157,92***	6725,82***
KĐ Hausman	10648,32***	3047,74***	13590,59***	4292,21***
Modified Wald Test	1,3e+32***	4,3e+32***	1,0e+34***	4,8e+32***
VIF	1,06	1,06	2,39	2,39

Note: *, **, *** regression coefficients are respectively significant at 10%, 5%, and 1%

Source: Authors' calculations

Considering the impact of the component PCI indicators, the estimated results show that: (i) Market entry: has a positive effect on boosting the business results of private enterprises, this result is consistent with economic theory and is accepted. supported by the research results of Anh and Phuong (2015). According to the annual PCI report, the market entry procedure and the time to complete business registration have been greatly shortened, businesses have quickly entered the market and started business early, thus saving on costs. enter the market. (ii) Access to land shows a positive impact on the business results of private enterprises. This result is also consistent with economic theory and supports the research results of Anh and Phuong (2015). In recent years, provinces have taken many supportive measures to help businesses have easier access to land, such as directing the implementation of compensation and site clearance, creating favorable conditions for enterprises. deploy investment, actively coordinate and guide investors and enterprises in carrying out procedures for land handover, land lease, investment implementation, ensuring favorable conditions and a friendly environment.

The publication of information on sectoral planning, especially land use planning at all levels, and land valuation on the electronic information network is also effectively implemented, making it easy for investors to find out. Therefore, it has a positive effect on the business results of private enterprises. (iii) Transparency has a negative effect on the revenue of private enterprises. Transparency is one of the most important criteria in the PCI component indicators. Because it is the key to the success of the business. When businesses have full access to information on policy changes, infrastructure development, and land use plans of the province, businesses will be better able to forecast their long-term business prospects. information search costs, informal costs, equality of business opportunities, etc. Therefore, businesses will have the confidence to decide to invest in production and business and improve their productivity. However, most businesses have to rely on friendly relations with government officials to access information, so transparency can negatively affect business productivity. This result supports Thang's research (2017), which suggests that transparency in the short term affects friendly relationships, thus reducing labor productivity. (iv) Time costs have a positive impact on the operating revenue of enterprises. The improvement of administrative procedures and appropriate inspection time help businesses save

costs, reduce burdens, promote more efficient operations, and increase operating results. (v) Informal charges have a negative impact on the operating results of private enterprises. This is supported by Thang's research (2017), which suggests that firms paying informal fees to obtain licenses and government contracts have a negative impact on firm performance. According to Phuong (2016), one of the informal costs is to help increase competitiveness in resources such as in bidding contracts, inland access, etc. to serve business interests. Because of the worrying reality in the past years, when businesses have considered informal costs as a regular expense to solve work, the benefits they get will be greater, offsetting all informal charges. So, if they improve this indicator, they will have to rely more on internal resources, so there are businesses that do not have enough internal strength, which will adversely affect business results, work is delayed, cannot be solved. business results of enterprises decreased. (vi) Pioneering dynamics of provincial leaders, showing opposite results. Although local authorities have made proactive and creative efforts, there is still a lack of inspection and review of the implementation of superior directives. In the process of implementing policies from the central government, although local leaders can show dynamism and creativity such as being proactive, flexible, and creative in policy implementation to suit the characteristics of the local government. However, this is the lowest rated index in recent years (reaching 5.69 points according to the 2018 PCI Report). There is still a lack of inspection, supervision, and review of the implementation of directives from superiors. Therefore, when enterprises work with interactive officials, they are still harassed, causing difficulties and thus adversely affecting the business results of private enterprises. (vii) Supporting businesses to positively impact the added value of private enterprises because, over the years, the government and local authorities have been well aware of the role of private enterprises in the development of the economy. many policies to support private enterprises to overcome difficulties and develop production and business, so they have partly helped enterprises achieve better-operating results, although the level of impact is still low (0.036 percentage points). (viii) Labor training has a positive impact on added value (Phuong, 2016) but a negative impact on revenue. The quality of labor training is considered a leading factor determining the ability to attract investment. Although this indicator has increased slightly over the years, it shows the efforts of local authorities in improving the quality of labor resources to better meet the needs of enterprises. However, it has not yet been able to meet the labor requirements of enterprises or the difference in labor requirements between industries, so most enterprises have had to train more or re-train workers with poor skills, so the cost of training is still low. create increase. Therefore, improving this indicator does not bring positive effects to the operating results of private enterprises. (ix) Legal institutions, which have a positive effect on added value but negatively affect the revenue of private enterprises. This is a component index that assesses the trust of enterprises in the provincial court and judicial system and the effectiveness of this legal institution in resolving disputes or complaints of enterprises with corrupt acts. interference of local civil servants. The fact that enterprises ensure ownership, reduces transaction costs, thereby creating motivation for private enterprises to invest and develop, increasing the added value of enterprises.

The firm's age variable mostly shows the opposite and statistically significant results, which means that the more experienced private firms have, the lower the performance results. Because private enterprises in Vietnam operate with many limitations in terms of financial potential

and management capacity, the scale of operation is mainly small and micro, so the investment capacity and technological innovation in private enterprises are very limited. Even backward, the way of organization is also outdated, cannot keep up with the development of the market, so the competitiveness is low.

Dummy variable D_SMEs shows that institutional improvement promotes the activities of large private enterprises more than small and medium-sized private enterprises. Because large-scale enterprises have the advantages of scale, they can easily adapt to the innovation of the business environment and gain a better competitive advantage.

The control variables for brand and economic regions are statistically significant, showing that the impact of business environment institutions is different between industries and regions. This result is supported by previous studies such as Anh and Phuong (2015); Tuyen et al (2016).

5. DISCUSSION AND CONCLUSION

This study uses the production function approach with array data established from the annual enterprise survey data set and PCI period 2010-2018 to examine the influence of the local business environment institutions. to the performance of private enterprises in Vietnam. Empirical evidence shows that the institutional factors of the business environment have a strong impact on the business performance of enterprises. Most of the estimated coefficients representing the business environment institutional factors have high statistical significance (level 1%). The factors of market entry, access to land, and labor training show a positive impact on increasing the operating income of private enterprises. In which, the indicator on labor training has the strongest influence. The expenditures on dynamism and informal costs show the opposite effect of reducing the operating results of private enterprises because private enterprises are often willing to pay informal costs to solve problems or access exclusive rights. Therefore, it has a negative impact on reducing the operating income of private enterprises. Improving business support factors and legal institutions promotes the added value of the business but reduces the total revenue.

The findings in the study suggest the importance of policies related to improving the quality of the business environment for improving the productivity and performance of private enterprises. In fact, the process of institutional reform is still slow, so the impact on promoting the performance of private enterprises has not been as expected. Therefore, it is necessary to continue to improve and perfect the institution in a more comprehensive way to achieve more results to promote the development of private enterprises, thereby promoting the country's economic development better in long term.

The PCI included 10 sub-indices. Each of sub-indices contained more specific questions. This study had not yet assessed the impact of each aspect of the business environment. These are the research gaps for studies in the future. There was a limitation of data in this study. Although the panel data set was updated to 2019, but the data in 2019 had some reliability problems. Therefore, it was not used in this study. Furthermore, continuing to update the data can be provide better assessments in the future.

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APPENDIX

Description statistics of variables

Variable	Mean	Std. Dev.	Min	Max
TR	53851.28	438306	0.1	8.36E+07
VA	10035.78	113472.4	1.91E-06	2.22E+07
Average capital	47060.41	397400.3	3.7	8.18E+07
Average labor	52.34561	259.5607	1	51252
PCI	60.41639	3.632215	45.12	73.53
Entry cost	7.724701	0.85014	5.07	9.6
Access to land	5.54878	1.026279	3.04	8.84
Transparency	6.130792	0.432685	2.76	7.63
Cost of time	6.204264	0.794746	3.51	8.9
Informal charges	5.540741	0.962696	2.81	8.94
Leadership dynamics	4.50201	1.067201	1.39	9.38
Firm support	6.325681	1.20685	1.75	8.75
Labor training	6.408786	0.934537	2.96	8.17
Legal institutions	5.083614	0.926508	2	7.99
Firm's age	12.22553	4.804775	0	72
Financial leverage	0.520778	0.259388	0	1
Average income of employees	65.06049	142.2269	0	45660.17
Dummy_SMEs	0.938436	0.240363	0	1

Source: Authors' calculations

THE ROLE OF DIGITAL BANKING IN PROMOTING PRIVATE ECONOMIC DEVELOPMENT IN VIETNAM NOWADAYS

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Abstract: *In this paper, the author would like to point out and analyze the role of digital banks in promoting the development of the private economy of Vietnam today, in the era of industry 4.0 and the period during and after covid 19. Today, with the strong development of the industrial revolution 4.0, in harmony with the general development trend of the world, digital banking was born. Banks can do most of their banking transactions online through the internet. Transactions of digital banks do not have to go to a bank branch and minimize the paperwork involved. At the same time, the features of digital banking can be performed anytime, anywhere, regardless of time and space, so customers are completely proactive. In which there is a large number of customers who are individuals, business households, enterprises with private capital ... also enjoy the benefits of business efficiency, cost savings, accuracy, security ...*

Keywords: *Digital banking, Private economy.*

I. OVERVIEW AND RESEARCH METHODS

1. Research overview:

Arunangshu (2018) in her paper focuses on the digitization of the rural banking system in India. The digital banking system has enormous potential to change the financial landscape. They found that the low-cost, easy-to-use features of digital banking could accelerate the integration of the bankless economy.

Rajeshwari (2017) in his research found that digital banking increases customer expectations with banks. With the help of secondary data, they analyze that digital banking becomes a milestone in the Indian banking system. It enhances the growth and advancement of Indian banking. It shows that due to digital banking, the operating costs of banks have been reduced rapidly. Lower operating costs mean more profits for banks. According to him, digital banks have the power to change the banking structure.

Aarti Sharma (2015) in her research paper concluded that digital banking will create an important milestone in the Indian economy. The research is analytical in nature based on secondary data. According to him, digital banking impacts the Indian economy. With the technological change of the banking system, the economy also faces changes. It can provide better service to their customers. Due to their rapid development, it is acceptable in the market. Now, by analyzing the benefits of digital banking, everyone in the market is asking for it

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Ruby (2018) in her article researched the problems and prospects of E-Banking. The study focuses on the pros and cons of digital banking affecting customer perception. The study also focuses on the risk involved while introducing digitalization in the market. Secondary data were used for the research paper. They concluded that e-banking brings high convenience in financial management to customers in the digital market.

Vishal (2016) conducted a study and concluded that customers always want safety and security during cash transactions. This study places more emphasis on the perceptions and attitudes of mobile banking users in urban areas. He focuses on the practices, challenges and security issues associated with mobile banking in India. He uses the quota sampling method. The author analyzes that knowledge about the use of mobile phones is the most important issue in mobile banking due to the availability of many handset models supporting different types of technologies in the market.

Ankit and Singh (2019) conducted a study to analyze the impact of technology acceptance model (TAM) in the context that online banking adoption in India is threatened in terms of security and privacy. private. TAM proposed by Davis as a theoretical basis, the study talks about perceived risk has a negative impact on intended behavior to apply online banking and trust has a negative impact on perceived risk.

Geetha (2014) conducted a study on 200 respondents about urban cities in India. The researcher has come up with various parameters that have a direct impact on the adoption of E-Banking facilities. They specify parameters such as innovation, familiarity, awareness, security, and trust among different customers. These factors affect customers' perception of digital banking.

Utpala (2013) conducted a study to assess the current state of e-banking in the market. From the main data source, the author analyzed respondents' assessment of e-banking. Analyze the obstacles that customers face during online banking. Utpala found that 60% of the urban population uses digital banking. Now all transactions are done through mobile banking. Paying bills with mobile banking just got a whole lot easier. It is important to focus on the rural population by creating awareness programs and training courses. It should help promote digital banking in India.

2. RESEARCH METHOD

To carry out the research contents and objectives mentioned above, the author uses a combination of methods as follows:

Statistical methods, data collection: The author collects primary and secondary data related to digital banks and the private economy in Vietnam over time from internal reports of commercial banks, reports of state management agencies for their research. During the research process, the author participated in related seminars to collect data. Besides, the author also consulted with leading experts in the field of finance - banking to give scientific comments for the article; Secondary data sources are taken from the report of the State Bank; annual reports, financial statements of commercial banks; Statistical Yearbook; Research reports of seminars, world economic organizations such as World Bank, IMF, etc.

Methods of comparison, analysis, synthesis, logical reasoning: Through statistics and data collection, the author compares, analyzes and synthesizes reported data to assess the current

situation in Vietnam during the period. via. From there, the author makes logical deductions to propose solutions and recommendations.

II. RESEARCH CONTENT

1. Digital bank

1.1. Commercial bank: A commercial bank is a money business organization whose main and regular activity is to receive deposits from customers with the responsibility to repay and use that money to lend, perform business. discount service and as a means of payment

1.2. Digital banking: is a new concept and much broader than the concept of e-banking, a higher development stage of e-banking. Electronic banking system (Internet Banking and Mobile Banking) is called digital banking but digital banking is not electronic banking. Before going to learn the difference between digital banking and e-banking, we will look at four main contents of digital banking, including: (1) Channels to connect with customers, (2) Self-service Process automation, (3) Decision support (Based on data analytics) and (4) Business and product innovation.

Digital banking is a new concept in the era of e-banking, which aims to enrich standard online and mobile banking services by integrating digital technologies such as strategic analytics tools, social media engagement, innovative payment solutions, mobile technology and a focus on user experience. Digital banking is the application of technology to ensure seamless end-to-end processing of banking transactions and activities; initiated by the customer, ensuring maximum utility for the customer in terms of availability, usefulness and cost; Banks can reduce operating costs, eliminate errors and improve service

Digital banking brings many benefits to business units in the banking sector. It helps to increase productivity and profitability of units, especially at commercial banks. It's a technological update in an ever-evolving era. This is mainly achieved by improving: Cost, Convenience, Control and Customer Satisfaction. The structure of the digital bank is the result of the collaborative efforts of the team including the research team, bankers, information technology experts and consultants. The term digital refers to the storage of data in the form of a digital signal. It can make banking function easy. ATM (Automated Teller Machine) is a telecommunications electronic device. It is the best example of a digital banking system. Digital banking makes transactions very simple and easy. SMS banking is an example. Now every customer is free and follow their convenience. Digital banking is part of a broader landscape for the move to online banking, where banking services are provided over the internet.

Since 2006, the Government of Vietnam has made efforts to implement a cashless economy through the "Cashless Payment Scheme". In this process, digital banking plays an important role. New digital technologies and innovative thinking have given birth to entirely new dimensions of business and society. Digital banking meets the new needs of private economic actors in their short and long term business.

1.3. Development stages of digital banking: The global banking industry is undergoing unprecedented transformation and is changing in response to these changes. According to Le Nhan Tam (2018), the development of banks in the world is currently going through three main stages:

- Digitization stage

This is the stage where banks improve operational efficiency by applying technology to data, resources or to individual processes in their operations. At this stage, banks will change traditional and manual services and processes to digital, online or computerized processes.

- Digital transformation stage

This is the period when banks begin to digitize all banking activities to create customer experience, support customer needs and what they want. Digital transformation in banks involves integrating and connecting phase 1 digital processes together to deliver a personalized customer experience. For example, multi-channel sales initiatives, or view information from a single place.

- Digital reinvention

This is the stage when banks combine technology and digital platforms like never before to generate revenue and results through innovative product and experience strategies. Digital reinvention in banking requires banks to fundamentally redefine how they interact with customers and stakeholders. For example, building in-depth holistic relationships with clients so that a full range of client financial services can be managed along with other services to meet customer needs and desires.

2. Private economy

The private economy is an economic component based on private ownership of the means of production, and is an important component of the national economy. Thus, the private sector includes individual businesses, small owners and private capitalist economies, operating in the form of individual business households and other types of private enterprises.

The private economy is an important driver of the economy, to really become an important driver of the economy. Over the years, the private sector has made a dynamic development of the economy, making an important contribution to creating jobs, raising people's incomes, boldly making breakthroughs and taking the lead in many fields. new areas of production and business. Therefore, creating all favorable conditions for the development of the private economic sector is also creating conditions to free up development resources in society, so that the socialist-oriented market economy can promote. maximize its enormous potential.

The private economy is the most important actor in the modern market economy. While the size of the private sector may vary in various market economic models, one thing is for sure, without the private sector there would be no market economy. in its true sense. Although not perfect, the market economy still proves to be the best mechanism for mobilizing, allocating resources, promoting creativity and development today. It is the activity of the private sector that helps operate that mechanism. A well-developed private sector does not necessarily lead to a perfect market economy. The private sector alone does not help overcome the defects and "failures" of the market. However, without developing the private economy, it will not be possible to bring into full play the strengths of the market economy and to exploit the enormous development resources of the society.

However, the majority of private enterprises are small and micro enterprises. Even the proportion of micro enterprises has increased sharply in recent years. Due to the small capital size and weak financial capacity, the competitiveness of private enterprises is often lower than that of state-owned enterprises and foreign direct investment enterprises.

3. Role of Digital Bank in promoting private economic development:

When it comes to the role of banks in the development of the private economy, it must be said that the role of banks in the economy, because the private economy operates in all fields, including the financial sector. such as commercial banks, credit institutions, financial companies... the private sector is a solid pillar accounting for about 70% of Vietnam's GDP.

The basic role of commercial banks in the economy:

Commercial banks are the place to provide capital for the economy: the advent of commercial banks is indispensable for the production of goods. The production of goods has developed, the circulation of goods has expanded, in the exporting society. Currently, people have idle capital, others need capital to conduct production and business activities. This is solved by commercial banks standing out to mobilize temporarily idle capital from businesses and residents later. that will supply back to where capital is needed to conduct production and business investment activities. The more society develops, the more capital needs for the economy, no one organization can meet. Only banks - financial intermediaries can stand out to regulate and distribute capital to help. for economic sectors to develop together.

Commercial banks act as a bridge between businesses and the market: commercial banks act as a bridge between businesses and the market from two perspectives. (1) Capital is the basic and important input factor of production and business. When their own capital is not enough to operate, businesses have to look to other sources of capital. Commercial banks will help businesses deal with credit sources. Thus, commercial banks are the bridge to bring businesses to the market by credit methods. (2) commercial banks act as payment intermediaries between enterprises and partners and customers. Thus, commercial banks help businesses and markets closer together in space and time.

Commercial banks are a tool to regulate the macro economy of the State: When the State wants to encourage the development of a certain economic sector, region or field, together with the use of policy mechanisms, the Commercial banks are always used by commercial banks requesting commercial banks to implement preferential policies in investment and capital use such as: preferential interest rates, extending loan terms, and reducing conditions. loans or through the system of State commercial banks to provide preferential capital for certain fields. When the economy grows excessively, the State through the Central Bank implements monetary policies such as: increasing the reserve requirement ratio to reduce the ability to create money, thereby reducing the ability to grant credit to the economy.

Commercial banks are the bridge connecting national finance with international finance: Currently, there is a trend of globalization of the world economy with the formation of a series of economic organizations and free trade areas. , making trade relations and goods circulation between countries in the world increasingly expanded, in which investment abroad is an important and profitable investment direction. At the same time, countries need to export goods in which they have a comparative advantage and import goods. Commercial banks with business operations such as accepting deposits, lending, guaranteeing, and international payment operations, have contributed to facilitating and promoting international economic relations between countries in the world. world.

The role of digital banks in private economic development:

Digital banking is understood as all business activities, services based on digital platforms and development of digital banks using digital technology and data to create new business models. In the digital banking background, businesses will innovate the traditional production and business processes to an ecosystem model, linking from production, commerce to use and this will increase productivity, as well as labor efficiency.

Digital banking, business activities are not merely the exchange of goods and services between people but are based on digital technologies. In this economy, various types of markets rely on digital technologies to make it easy to trade and exchange goods and services through e-commerce. Digital banking allows individuals, organizations and businesses based on information infrastructure technology to exploit digital resources including an open knowledge and data ecosystem, useful for timely prediction, and decision making with high economic efficiency.

Digital banking not only creates scale and growth for businesses, but also changes business activities on two fronts: (i) Production methods (resources, infrastructure, ways production and business operation mode); (ii) Economic structure. In particular, it is noteworthy that besides traditional resources, new development resources appear, which are digital resources and digital wealth. In fact, digital banks help growth more sustainably, because technology will bring better and more effective solutions to resource use, handling environmental pollution problems, etc.

Providing capital needs, non-cash payments and multi-channel services: Digital banks create a variety of capital supply channels for large, small and micro enterprises in urban and rural areas. the ability to access capital through bank channels, shorten loan procedures, create a balance between large-scale private enterprises and private economic groups with position in the region. strong international brand, attracting many foreign strategic shareholders, contributing to improving national competitiveness. Creating a faster capital turnover can control capital when banks provide capital and ensure the safe use of capital of the business.

To meet the needs of customers, banks must modernize to have many channels to connect with businesses such as branches and transaction points, Internet Banking, Mobile Banking, Kiosk. Customer care center is business/Contact Center, Social Networking channel.... Digital banking has a solid technology foundation to ensure that banking services are provided easily on many different channels with the same quality, information flows through channels. Digital banks will promote the development of channels, combine distribution channels with over-the-counter channels and digitize counter channels to provide the best customer experience. A very important requirement of a digital bank when the bank deploys many channels to connect with businesses is that those channels must be interconnected and ensure uniformity of services between the channels that businesses have transacted.

Improve business efficiency: To shorten the speed of goods circulation and capital turnover, thanks to modern information technology, banks can focus on collecting data about businesses operating in Vietnam, performance of obligations to state agencies.

Contributing to the production and business of enterprises in the economy takes place without interruption, providing investment capital and credit circulation tools. Due to process automation, which today requires maximum automation of product and service delivery processes, banking

operations through non-human channels is a mandatory requirement of digital banks. In building the process, adjust the process. Banks are equipped with supporting solutions for automating product creation and supply processes to combine with digital distribution channels, providing products with high technology content to customers. For example, when a bank wants to make an online loan on Internet Banking, without human intervention, the bank must have sufficient information about the customer, choose and design a simple and secure loan product. entirely for application on software systems. Decision making, in order to simplify the process, provide the right products, quickly to the right customers across different channels, handle large volumes of data within the bank as well as within the bank. External data for decision making. Therefore, the application system of a digital bank needs to be able to analyze data for more accurate, faster and better decision making based on customer choice and risk management principles. of the bank. The higher the proportion of automated business decisions made based on data analysis, the higher the degree of digitization.

Digital banking is the optimal solution to overcome existing limitations on current distribution channels thanks to the combination of features and characteristics of all channels, bringing the best satisfaction and experience to customers. customers, as well as helping the bank increase its competitiveness, affirm its brand and reputation in the market. The advantages of Digital Banking are reflected in the following aspects:

Digital banks save transaction costs, travel costs, guide customers to switch transactions to automatic transaction channels, which will save business management costs, contributing to increasing net income for businesses. With the benefits that digital banking services bring in reducing the number of transactions at the counter, businesses have significantly reduced the number of employees.

Manage interactions of businesses with banks through channels. When the bank integrates the distribution channels, the bank will be able to stimulate customer demand through the use of analytical and sales tools on modern channels for customers to choose their own products and services. transaction services on self-service channels, saving costs. Increase sales productivity of sales team and sales productivity across channels. Digital banking will support the transmission of sales opportunities to specific salespeople on mobile devices, support the calculation and issuance of product and service offers, including product pricing. products for each business, providing modern and simple business care and payment solutions. Digital banking creates a premise for banks to reach the business class that do not have a bank account. Improve online service registration process, reform administrative procedures, shorten service registration time for businesses.

Making a digital bank think less of competitors, think more cooperatively, cooperate with Fintech, both domestically and regionally, can create more competitive advantages for Vietnamese banks and at the same time create favorable conditions. for customers. In the digital world, banks are no longer the only party that creates value for customers. Today, competitive power comes from connecting well with other players, increasing and sharing value. Banks must use open APIs to connect, both internally and to third parties. In Vietnam, the trend of cooperation between Fintech, Mobile Money and banks is also increasingly encouraged. Banks who want to expand the digital space need to find friends, not alone. Instead of seeing each other as rivals, banks can cooperate

with each other to create a shared data set of digital identifiers. They can also see Mobile Money as a channel to educate financial habits for those who do not have one. Bank account.

Mobile money helps businesses get used to and access banking services through the network. Initially, they only paid a few hundred thousand...but when the demand reached millions of dong, they had to go through the bank. Then the bank must cooperate to receive it because the network operators can only do some simple things. So think less about the opponent, think about the partner, and cooperate more.

The rapid development of the digital economy is driving electronic payments with Fintech, e-wallets and other non-banking solutions to fill the gap left by traditional banks.

From the analysis of the four main contents of digital banking above, it can be understood that digital banking is a combination of new and developed technology applications and digitization of banking activities from traditional distribution channels. and modernize operational processes, decision-making processes and banking products and services in order to improve services and customer experience effectively, improve adaptive capacity, and adapt to changes in the banking system. changes in the business environment inside as well as outside the bank, affirming its position and increasing competitiveness in the market.

4. Current status of digital banking development in Vietnam:

Most banks in Vietnam are in a state of digital transformation, which means integrating various digital processes to provide customers with "personalized" experiences. Meanwhile, global banks are ahead on this journey because they are in a state of digital reinvention, which means fundamentally redefining the way banks interact with customers and other stakeholders. Digital reinvention aims at forming smart banks with a strong ecosystem and satisfying customers

Digital banking has been mentioned a lot lately in Vietnam and in their development strategy, many banks also set a goal to develop digital banking, there are even banks that consider it a business segment. core business, is a key development goal. According to a survey by the State Bank of Vietnam, by April 2018, 94% of domestic banks were undergoing digital transformation, of which about 42% of credit institutions considered digital banking as a business strategy. In the past 5 years, payment via mobile banking has grown very strongly, reaching 144%/year. Meanwhile, other traditional forms of payment only grew by 40% (Pham Tien Dung, 2018).

According to Le Cong and Dam Nhan Duc (2016) as managers. The State Bank needs to strengthen the legal corridor, improve the environment and policies soon, and create conditions to promote the rapid application of digital technology in banking activities. In this direction, the State Bank needs to amend and supplement the system of legal documents and professional processes in accordance with the Law on Electronic Transactions and related legal documents. At the same time, promoting the application of modern technology to management activities, promoting scientific and technological research activities, applied research in the field of digitization to support the process of policy formulation and action. legal corridor.

According to Citigroup (2018), a number of factors or tools that banks/financial institutions must consider in their digital banking development strategy in the coming time are: (i) Application

of artificial intelligence generate (AI); (ii) The participation of big technology companies (Big Tech) in providing banking services; (iii) Transforming Core Banking and (iv) Digitizing Assets. It can be seen that banks around the world in order to be successful in applying new technologies, all transform their business models, support transactions with customers (customer contact, customer care, improve customer experience). customer experience) and operational management changes.

Challenges of digital banking

i) Security and privacy: This is the most important challenge in digital banking. Everyone has doubts about the privacy and security of digital banking. They don't believe in digitization. They only prefer cash transactions. Most customers do not change their perception of the bank. They argue that with the development of technology, some problems also arise. Clients don't want any chance with the money they earn in life full of effort and hard work. With digitalization, anti-virus software also comes and destroys your life.

ii) Knowledge of digitization: Many people do not understand the concept of digitization. This system wants to Update from time to time to improve its accuracy. This digitization only works when the customer is educated and knowledgeable about it. This is the challenge that it wants to cover more and more customers. For this knowledge is the most important.

iii) Internal barriers: The banking industry has the same departments as other industries. With the change in technology affecting the departments of the organization. Just like customers & bankers are the most important part of the banking system. Since the customer's knowledge of digital transactions is important, the employee's knowledge of digitalization is also important. If employees don't know this then how can they influence customers. So the banking system can train its employees so that they can keep themselves updated with the changing technology. It can increase employee performance and productivity.

iv) Non-financial institutions: Like the Government. banks, some other organizations like Google, facebook, paytm etc. provide the same services as banks offer to their customers. These non-financial institutions provide a platform where customers can deposit money directly into someone's bank account. These organizations are not bound by any rules and regulations. But financial institutions are bound to a number of rules. This is the most challenging concept for financial institutions.

v) Digital banking system: Nowadays, the demand for digitization is increasing at a high speed. But most banks don't have the guts to adopt this technique quickly. For this, the best and skilled management is required so that their policies and strategies will benefit the organization. Some want a ready-made system and some want to build one and then deploy it. It takes a lot of time to make decisions that benefit the organization. This creates a challenge for the organization in which system to adopt as every decision has some cool-and-burn point.

The impact of digital banking on the development of the private economy in Vietnam:

Information technology in the banking industry has brought the banking industry to focus, collect and process information electronically. The bank uses the latest technology to survive and thrive in the market environment. In this way, the bank can provide the necessary conditions to the customers and come up with the best solutions for their products or services.

Technological advances in the banking sector such as digital banking, e-banking, mobile banking, telecommunications, ATMs and credit cards have led to improvements in payment and settlement systems.

Modern banking technology eliminates manual effort in all banking operations and focuses on automation. The most prominent feature of technology is that banking is more convenient and convenient for private sector customers. Online banking is always available. The entire banking process is transparent and captureable thereby automatically reducing corruption. Better transparency in financial transactions can be achieved by providing a valid credit card to the bank for currency exchange. Systematic records of financial transactions facilitate and minimize cash transfers. With more digital or internet transactions, the country can access a cashless digital economy. Digital banking promotes private sector finance through the introduction of banking services within the scope of financial services. Through digital transactions, a lot of money is put into circulation and can be used for economic development.

All banks in Vietnam aim to provide a fast, accurate and quality banking experience to their customers. Banks not only reduce digital systems, human error and save time, but also lead to transactions that reduce cashless circulation of counterfeit money in the market. This has a positive impact on the economy. The Banks have also benefited in many ways through the use of new technologies and resulted in significant spending cuts and profit generation through various channels. The number of subscribers also increased. up for the convenience of 'Banking Anywhere'. Digitization minimizes human error. Users can access and analyze the data at any time by the bank providing a powerful reporting system.

Advantages of digital banking:

- Transparency and accountability make it easy to track cash flow with every transaction recorded with buyers, sellers and regulators, making the system more transparent and interoperable. In the long term, this has resulted in greater business and investment potential for the economic sector, and currency in the bank will mean money flowing into the economy with high liquidity.

- Reduce bureaucracy through cashless transactions, electronic vehicle tracking, electronic exchange tracking and citizen reporting cut corruption and increase service time.

- Banks in general and commercial banks in particular when digitization has significantly reduced bank operating costs. This allows banks to lower fees and offer higher interest rates on deposits. Low operating costs mean more profit for the bank.

- Economic entities in rural areas, benefit from banking services. Most people in rural areas have been involved in the banking process with the development of digital banking.

- There are convenient technologies for banks and economic entities to get excellent services just by accessing the system. These services include financial planning, budget preparation and prediction tools, credit calculators, investment analysis, and stock trading. The Forum has a simple program on the Bank's website. In addition, most banks will provide a way to calculate tax forms for the unit.

Disadvantage of digital banking:

- The cashless economy will increase the theft of information of individuals and entities in the private sector via the Internet, such as debit and credit cards, passwords, card numbers. and other sensitive information due to the increase in digital transactions. In general, cybercrime will only increase if security measures are used only when strange phenomena occur on the Internet.

- Low internet base, low internet speed, limited range of smartphones and internet problems, OTP, PoS, are less an obstacle to complete digitization between economic sectors. and between locations.

- In the flaws of digital transactions, there is no mechanism to resolve problems immediately.

5. Some comments and recommendations:

Not outside the trend of digital banking development in the world, although Vietnam's digital bank has only appeared recently, it has rapidly and diversifiedly developed with many beneficial constraints. Digital banking all banking services into applications to support customers online without going to a bank branch. This contributes to promoting the private economy (the economy with a large force including individuals, business households, enterprises with dynamic private capital, grasping the trend of the times) to grow stronger and more diverse. Moreover, branding and contributing to the strong development of the national economic foundation together with other countries in the region. To make this thing, is very need to support, the main policy of the house water to business well as the private kernel that the more energy, open wide format of the country contributes to the development of the country's economy.

With the current COVID-19 wave, along with the strong development momentum of digital banking in the world, it is even more imperative for Vietnam to promote a dynamic, diverse, and innovative private sector for the new era. In the post-COVID-19 recovery period, when public resources become scarce, the private economy contributes significantly to the overall development of the economy before and after Covid 19, so the author makes some recommendations:

One is that digital banking is considered a trend not only in Vietnam but also in the world. In the past, people knew about a bank's products and services at the counter through bank tellers, or mainly about online banking/e-banking services. The digital bank is a miniature bank based on artificial intelligence, now not through humans, but customers still receive the products of a worthy mainstream bank.

In Vietnam, the leading digital banking services today must mention banks such as: MB bank, Vietcombank, Ban Viet, TP bank, VP bank ... gradually changing and constantly updating new versions based on on customer feedback. In addition, there are still many banks that have not yet planned to convert to digital banks, causing the State Bank to face many difficulties, but this is an inevitable trend that banks must move forward. Therefore, the State needs to have policies to guide, encourage and support, and at the same time create a legal framework for digital banking for banks to operate and help banks create competitive advantages with other banks. other products in the region and the world.

Secondly, the development of technology in general and digital banking in particular contributes to helping the private economy continue to become a great driving force, spreading and attracting other economic sectors, especially small businesses. ; promoting agricultural and rural development,

forming chain linkages, supporting marketability, etc., so it is also necessary to encourage support from the State such as creating a solid legal framework and creating favorable conditions. technology transfer, commercialization of research results, being deeply involved in other fields, helping to avoid the state economic monopoly (which has many negative effects) and create better efficiency.

III. CONCLUSION

Digital banking promotes the development of the economy with transparency. With the increase in online transactions, one can notice how people are becoming more and more accustomed to using digital payment services instead of cash.

Digital banking is transforming traditional banks into larger and more efficient places. Digital banking makes every transaction in the economy easier. They can easily pay bills, convenient location, transfer money from one place to another and easily check bank details. The growth of digital banking can help the private sector in various issues such as capital market growth, insurance sector growth, venture capital market growth, etc. ..

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CURRENCY MANIPULATION PROBLEM - LEARNINGS FOR VIETNAM

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Abstract: *“Currency manipulation” is a sensitive issue of the international monetary-financial field that the United States often proposes to impose on countries around the world. On December 16, 2020, the US Department of Finance identified Vietnam and Switzerland as currency manipulators along with 10 countries under monitoring, alleging that Vietnam met 3 criteria for manipulation. currency shortages, including: Bilateral trade surplus with the United States, current account surplus and net foreign currency purchases. This is the first time the US has labeled Vietnam a “currency manipulator”. However, on April 16, 2021, the US government announced that: Vietnam is not a currency manipulator, why such a sudden change? and if the country being imposed is a currency manipulator, how will the US impose sanctions? In the following article, the author analyzes the above issue in depth and draws necessary lessons for Vietnam in the near future so as not to be imposed as a “currency manipulator” by the United States.*

Keywords: *currency manipulation, imposition, Vietnam, United States.*

1. RESEARCH OVERVIEW OF WORKS RELATED TO NATURAL RESOURCES

“Currency manipulation” for countries around the world is not new, but for Vietnam, this is a relatively new issue because perhaps Vietnam thinks that it is far from enough things. The case for the United States to refer to as a country: “Manipulating currency”, so there are not many studies on this issue. In fact, only when Vietnam was officially labeled by the United States as a “currency manipulator” did many researchers delve into this issue. Some typical research projects are as follows:

- Dr. Nguyen Xuan Hai (Johns Hopkins University, USA), MSc Le Quynh Trang and Hathaway policy (2020), research project titled: Vietnam and the injustice of currency manipulation - Dan Tri newspaper on 21/21/ 12/2020. In the article, the authors have analyzed very clearly the 3 criteria that the US Government sets forth to consider countries that have trade relations with the US to attribute “currency manipulation” which has no scientific basis. study and affirm that: Vietnam does not “manipulate currency”.

- Author Nguyen Duc Long (2021), with the article Looking back on 35 years of monetary policy reform and the operation of the Vietnamese banking system - Digital Banking Journal Special Topic 2021. In the article the author reviewed Vietnam’s monetary policy management over the past 35 years and affirmed that Vietnam is not at all a currency manipulator as the US government has ascribed.

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- Dr. Can Van Luc and colleagues (2020), in their study with the title: US accuses Vietnam of currency manipulation: It is necessary to look at it correctly and multi-dimensionally - Dan Tri newspaper, December 21, 2020. In their research, the authors affirmed that this is a subjective and unilateral action from the US Department of Finance, not taking into account the economic characteristics of Vietnam and the recommendations of international organizations. economic. On that basis, the authors have suggested a number of solutions that Vietnam needs to prepare to deal with being labeled as a currency manipulator by the United States.

- Author Nguyen Tran Minh Tri (2021), with the article: Vietnam is not a currency manipulator - Journal of Legislative Research No. 01 (425), January 2021. The article has presented evidence that: the US government's designation of Vietnam as a "currency manipulator" is unfair, imposing and has also recommended a number of solutions to Vietnam. should be done to avoid being labeled as a currency manipulator.

In general, the articles have gone into analysis of the bases that the US government gives to attribute countries in the world to currency manipulation which is subjective and has no solid scientific basis. Some works have also recommended the Vietnamese government solutions to deal with the US government's accusations of currency dumping. However, there has not been any work that fully and thoroughly explains the issues: understanding what is "currency manipulation" properly, why the US government has raised that problem, based on where The US government only gave 3 criteria to consider and how countries' experiences responded, so the author of the article went into depth to study those issues.

2. RESEARCH METHODS

Research documents combined with survey of actual data through the collection of secondary information. The methods used in the research process are: comparison, analysis, synthesis ... to process information and make reasonable and logical comments.

3. RESEARCH RESULTS

3.1. The Basics of America's "Currency Manipulation" Problem

First, it is necessary to understand what the term "currency manipulation" is?

According to Article IV of the terms of the International Monetary Fund (IMF) agreement of 1978, IMF member countries will "avoid manipulating the exchange rate or the international monetary system in order to effectively prevent balance of payments or to gain an unfair competitive advantage over other members". But until now, there is still no clear definition in economics of the phrase "unfair competitive advantage", so this phrase has become an important tool in international trade negotiations, but it is still not a clear definition of the term "unfair competitive advantage". multilateral and multilateral.

The U.S. government legislated currency manipulation into a specific act, the Omnibus International Trade and Competition Act, in 1998 to gain the power to impose tariffs on countries. has a large trade surplus with the United States.

In this Law, the President of the United States requires the Treasury Department to make a report twice a year on economic policy and international exchange rates, including aspects such as: trade surplus, current account surplus, foreign exchange trading, monetary policy, capital flow control policy, exchange rate operations, foreign exchange accumulation and all other related activities. On the basis of the overview report, the President of the United States can label a country a "currency manipulator" and has the power to expedite negotiations, either directly or through the International Monetary Fund (IMF) to claim require those countries to make reasonable policy adjustments and may introduce measures to "punish" countries identified as currency manipulators, such as imposition of tariffs and trade barriers. commercial. However, the measures can only be applied after at least one year of negotiations.

On the basis of a report, the President of the United States can label a country a "currency manipulator" and the US Treasury Department has the power to set up an investigation team to expedite negotiations directly or indirectly. through the IMF, to demand that these countries eliminate currency manipulation.

In 2015, the Trade Facilitation and Trade Enforcement Act of 2015 (TFTEA) was enacted under President Obama to further specify the criteria for proving a country has "currency manipulation" behavior.

Thus, it can be affirmed that: "currency manipulation" is a unique and characteristic product of US law that was concretized into a content in the Omnibus International Trade and Competition Law in 1998. The United States imposes currency manipulation on other countries is to protect their international trade from running a deficit in that country's trade balance, thereby protecting the economy and companies in the country. country.

Pursuant to this Act, when a country is determined to be a currency manipulator, it is not permitted to enter into economic contracts with the United States Government.

So, on what basis does the US base a country as a currency manipulator?

Under the TFTA Act, if a country meets the following criteria to be considered a currency manipulator, there are 3 specific criteria:

- Bilateral goods trade surplus with the US of 20 billion USD or more;
- Current account surplus equivalent to at least 2% of GDP (previously it was 3%);
- One-way (buying or selling) and prolonged intervention in the foreign currency market, represented by net buying of foreign currencies for at least 6 months over a 12-month period with a total net buying of foreign currencies equivalent to at least 2% GDP over a 12-month period.

The TFTA Act requires the U.S. Treasury Department to perform advanced analysis of the foreign economic and exchange rate policies of major trading partners that meet the criteria for a bilateral trade surplus with the United States, current account surplus and foreign currency intervention. When a country is identified as a "currency manipulator", it extends "punishment" measures to countries identified as currency manipulators such as the imposition of tariffs and the use of trade barriers. However, the measures can only be applied after at least a year of negotiations.

Because there is no clear definition in economics of the term "unfair competitive advantage". This issue concerns the relationship between the current account and the spread between investment and savings; the difference between the nominal and real exchange rates; as well as the difference between short- and long-term effects. Therefore, currency manipulation focuses on the real exchange rate, and the real exchange rate can also be influenced by investment demand or savings supply or both.

Current account = Domestic savings - Domestic investment

Thus, any policy that affects either variable (domestic savings or investment) has an impact on the exchange rate and the current account.

In the history of applying the Omnibus International Trade and Competition Act and the Trade Enforcement and Promotion Act, the US Government has labeled many countries "currency manipulators". Up to now, the US has based on its unilateral report and labeled "currency manipulator" for Korea in 1988, Taiwan (China) for the first time also in 1988 and again in 1992. , China for 3 consecutive years from 1992 to 1994. Notably, in August 2019, China was also labeled a "currency manipulator" but not from any reports. When the January 2020 reporting period was released, China did not violate all three of the above criteria and so the "currency manipulator" label was also removed. Vietnam and Switzerland at the end of 2020 have also been imposed by the United States as currency manipulators.

However, many international law experts have argued that the grounds presented by the United States for imposing a currency manipulator are not scientifically sound for the following reasons:

First, in theory, the three criteria set forth by the US Treasury Department are not a solid basis for determining whether a country is a currency manipulator. For the United States, the term "currency manipulation" is used to define a country's intervention in the foreign exchange rate, reducing the value of its domestic currency relative to the US dollar (nominal or real).) to boost exports, especially to the United States.

However, so far, there is no international economic-financial theory that can confirm the "correct exchange rate" between two currencies, as well as the criteria for determining this rate. According to the simplest theoretical framework for nominal exchange rates, the market rate, for example between VND and USD, is generally determined relative to (i) the prime interest rate in Vietnam; (ii) prime interest rate in the United States; (iii) the long-term monetary policy of both countries. And according to this theoretical framework, with interest rate policy already at a record low and the monetary base more than quadrupled since the 2008-2009 crisis, it seems that it is the United States that wants to do this. weak dollar policy and a tendency to "manipulate currency".

Besides, if the "real exchange rate" is used as a measure in determining the "currency manipulator country", the most basic theoretical frameworks of the "real exchange rate" also require a lot of factors. Specific factors of the economy, such as the level of development, average income and the composition of the basket of goods corresponding to the economy are evaluated and studied carefully.

When using indices that simulate "real rates", such as the "Big Mac" index based on the prices of McDonald's burgers, an index developed by the Economist, or the Billy Index According

to Bloomberg, the global index "Chai Latte" by Versus or the official indexes proposed by the IMF and countries, the "real exchange rate" between currencies often has a large difference. It is very difficult, if not impossible, to value one coin's true value higher or lower than another.

In other words, the US Treasury Department's use of the above three criteria to identify a "currency manipulator" lacks a solid scientific basis and has not entered the essence of the problem. The logic between the three given criteria and "currency manipulation" is almost non-existent.

Second, from a practical point of view, rightly or wrongly, the US government is only an executive agency and the US Treasury Department makes reports on the basis of strict compliance with domestic laws. This is evident in all previous reports that can be found on the US Treasury Department website. Those responsible for the preparation of the report adhere to a basic outline framework, with unified criteria and a transparent status quo assessment.

With the 3 criteria mentioned, at least within the last 5 years when a country "satisfies" two of the three criteria mentioned above is put on the watch list and when it "satisfies" all three criteria, it is put on the watch list. on the "currency manipulator" list. Although the label "currency manipulation" does not reflect the true meaning of the term, the nature of the act of "labeling" in the report is a purely technical manipulation in this case.

In other words, the fact that Vietnam is on the list of "currency manipulators" in the report at the end of 2020 is not necessarily a less positive signal in the increasingly good diplomatic relations between Vietnam and the United States. , as well as former President Trump's personal interest in Vietnam.

Thus, judgments and doubts about potential factors related to political conflicts can be excluded when the US "labels" Vietnam as a currency manipulator, but it is only a technical issue. and purely economic needs to be prioritized to research and solve.

3.2. Is Vietnam really a "currency manipulator" as the US government has imposed?

It can be affirmed that: *Vietnam is not a currency manipulator as the United States has imposed*. But what needs to be clarified is: why did the US impose Vietnam as a currency manipulator?

According to a report by the US Department of Finance in May 2019, for the first time, Vietnam became one of 9 countries on the monitoring list due to meeting two criteria of a bilateral trade surplus with the US and a trade surplus with the US. current account surplus. The May 2019 report also listed a number of countries on the monitoring list that will continue to be monitored in the next two reporting periods. Then, in the Report on January 14, 2020, the US Department of Finance continued to put Vietnam on the monitoring list (even though it only met one criterion of a bilateral goods trade surplus with the US of 47 billion USD), while the current account surplus is only equivalent to 1.7% of GDP; net buying intervention in the foreign currency market is equivalent to 0.8% of GDP) including 10 countries: China, Japan, Korea, Germany, Italy, Ireland, Singapore, Malaysia, Switzerland and Vietnam. The report also concluded that none of the trading partners manipulated the currency. However, on December 16, 2020, the US Department of Treasury issued a Report on "Macroeconomic and foreign exchange policies of major US trading partners";

in which, the US Department of Treasury has put on the Monitoring List of 10 economies: China, Japan, Korea, Germany, Italy, Singapore, Malaysia, Taiwan (China), Thailand and India . At the same time, Vietnam and Switzerland were identified by the US Department of Finance as currency manipulators?

The problem is that: with Vietnam, in semi-annual reports (from May 2019 to June 2020), Vietnam has twice been put on the supervision list by the US Department of Finance. By December 16 (at the December 2020 report for the review period from July 2019 to June 2020), and this is the third time, the US Department of Finance has identified Vietnam as a currency manipulator because Vietnam has met and exceeded all three criteria mentioned above.

However, in fact, Vietnam is not a currency manipulator as the US side has "labeled", but this is a subjective and unilateral action on the part of the US Department of Finance and they have not recognized it. multidimensional, not taking into account the characteristics of the Vietnamese economy as well as the recommendations of international organizations (such as the World Bank-WB, the International Monetary Fund-IMF) for Vietnam. Vietnam is a fast-growing, highly open economy and it is necessary to have tools (in line with international practices) for sustainable, safe economic development, which is resistant to severe impacts. shock from the outside. In fact, in the Report dated January 14, 2020, the US Department of Finance continued to put Vietnam on a monitoring list that only met a single criterion of a bilateral goods trade surplus with the United States. The period was 47 billion USD, and the current account surplus was only 1.7% of GDP; net buying intervention in the foreign currency market is equivalent to only 0.8% of GDP.

Vietnam does not manipulate currency as the US side has "labeled" for the following reasons:

First, Vietnam does not advocate currency devaluation, both in official statements and in actual operating instructions. The management of the exchange rate in recent years by the Government of Vietnam within the framework of the common monetary policy aims to achieve the consistent goal of controlling inflation and stabilizing the macro-economy, not to create a competitive advantage in trade. international unfairness.

Over the past years, Vietnam has implemented a central exchange rate policy within the framework of a common monetary policy with the consistent goal of controlling inflation and stabilizing the macro-economy, not creating a competitive advantage in trade. international unfairness. The central rate of VND/USD at the end of the year usually does not exceed 1.5-2 % compared to the beginning of the year, despite the drastic fluctuations in the exchange rate of many regional and international currencies, even the USD. Specifically, since 2016 until now, the State Bank has implemented a mechanism to control the exchange rate according to the fluctuations of the currency basket of countries with great economic relations with Vietnam. The proactive and flexible exchange rate management policy along with a prudent fiscal policy (control of public debt and budget deficit) have helped stabilize Vietnam's macro-economy in the 2016-2020 period. will reject the assessment of the US Department of Finance because in 3 years (2017-2019), the real value of VND as calculated by Dr. Can Van Luc and his associates increased by about 2.6%. Accordingly, Vietnam's trade balance with the US may be negatively affected due to the appreciation of the VND against the USD in the three years 2017-2019, not necessarily creating an export advantage for Vietnam. Therefore, the US Department of Finance's assertion that the

undervalued VND creates an export advantage for Vietnam is unfounded and needs to be carefully and accurately considered.

Moreover, Vietnam has no incentive to devalue its currency for export advantages, because exports and trade surpluses are mainly due to FDI companies in Vietnam being the main and main beneficiary, while domestic enterprises. countries often have a trade deficit. Moreover, Vietnam also does not benefit from devaluation due to its high dependence on imported input materials and high government debt.

Second, Vietnam does not intervene one way in the foreign exchange market.

It should be affirmed that, in recent years, the purchase of foreign currency by the State Bank is essentially the process of converting foreign currency into VND from investors, exporters and remittance recipients, to ensure foreign currency holders shall not use foreign currency as a means of domestic payment. This activity is in accordance with the provisions of Vietnamese law, as well as the practice like many other countries.

The purchase of foreign currency by the State Bank of Vietnam also aims to ensure the smooth operation of the foreign currency market in the context of an abundant foreign currency supply, contributing to stabilizing the macro economy and consolidating the State's foreign exchange reserves. capital is low (currently only meeting about 3.5 months of import) compared to other countries in the region, as well as compared with general recommendations and practices (need to meet about 5 months of import), much lower compared with 5 months of imports of Singapore, 8 months of the Philippines, South Korea or 9 months of Thailand and 14 months of China, to enhance national monetary and financial security. From a crisis control perspective, increasing foreign exchange hoarding through the purchase of US dollars - the currency used mainly in Vietnam's international reserves and payments is a typical crisis prevention move. form in conducting the monetary policy of any country.

Besides, in recent years, the average inflation of Vietnam is 4% while the inflation of the US is less than 2%, so it is normal for the dong to depreciate by 1-1.5%; Vietnam has many years of high inflation 5-6%, but VND only depreciated 1-2%. In other words, the purchase of foreign currency by the State Bank of Vietnam is to perform the function of converting foreign currencies to help people in Vietnam's territory use the dong, which means that this purchase is mandatory. Moreover, Vietnam not only buys foreign currency one way, but in fact, the State Bank only buys when there is a surplus of foreign currency in the market; at the same time, the State Bank always actively sells to stabilize the VND/USD exchange rate and maintain the target macroeconomic status.

In addition, the current account surplus in Vietnam (including trade balance and remittances) is usually mainly due to remittances from abroad. These are remittances from overseas Vietnamese to support their relatives in the country. Remittance is an objective factor, not because the exchange rate is high or low. Moreover, for many years now, Vietnam has lowered the USD deposit rate of both individuals and organizations and businesses by 0%, so the exchange rate is not a factor causing the current account surplus to exceed the US criteria. The specified period is 2% of GDP. In other words, Vietnam's current account surplus is largely due to remittances from abroad. If excluding the annual remittance, Vietnam's current account still has a small deficit or surplus.

The Peterson Institute for International Economic Research (referred to as the Peterson Institute) has a more objective opinion: Countries have a legitimate need for a moderate amount of foreign exchange reserves to withstand shocks. surprise. Of the 2 countries labeled as currency manipulators and 10 countries put on the watch list, all countries exceeded the foreign exchange reserve criteria by a wide margin (except Vietnam); The use of the criterion of having a bilateral trade balance surplus with the United States as the primary criterion for defining an economy as a currency manipulator is unfounded in economics, especially in the context of trends in the economy. Due to strong globalization, economies are deeply involved and diversified in global value chains (for example, according to the Peterson Institute, Singapore imports a lot from the United States, causing the US to have a trade surplus with Singapore, but the fact that these imported goods are exported to China and other Asian countries, as input materials for exports to the United States, Singapore makes a significant contribution to the US trade deficit. States with other countries). In addition, the Peterson Institute also thinks it makes more sense to consider currency manipulation only for high-income or upper middle-income countries; Meanwhile, Vietnam is a low-middle-income country, so it is not suitable to be labeled a currency manipulator as announced by the United States.

Third, the bilateral trade surplus with the United States and the current account surplus are the result of a series of factors related to the peculiarities of the Vietnamese economy.

Vietnam's trade surplus to the US is only due to the specific economic structure correlation between the two countries, and Vietnam has successfully exploited the gap in consumer demand of the US people to boost exports. increased responsiveness to the US consumer market.

Data from the US Department of Finance shows that Vietnam's trade surplus with the US has increased sharply in the past 4 years: from 38.3 billion USD in 2017, increasing to 39.4 billion USD in 2018; 55.7 billion USD in 2019 and 63.4 billion USD in 2020. According to statistics in the United Nations Statistical Database of Trade Data (UNCOMTRADE), the total value of goods exports US goods in 2017 reached US\$1,784 billion to the world market (of which Vietnam is the 31st largest importer of US goods), accounting for 0.5% of the total value of US goods exports. Ky. According to this data source, in 2017, the United States imported goods worth up to 2,407 billion USD from all trading partners (in which goods from Vietnam ranked 12th), accounting for 2. % of total US imports.

Data from the General Department of Vietnam Customs shows that, in the past 25 years, the two-way trade turnover between Vietnam and the United States has increased by 168 times, from 450 million USD in 1995 (Vietnam's exports to the United States reached 168 million USD). 169.7 million USD; import turnover reached 130.4 million USD), increasing to nearly 76 billion USD in 2019, despite the negative impact of the Covid-19 epidemic, bilateral trade turnover between Vietnam and China The United States still reached 90.8 billion USD, up more than 19.5% compared to 2019. In which, Vietnam's exports reached 77.1 billion USD, imports from the United States reached 13.7 billion USD. Currently, the United States is Vietnam's largest export market and Vietnam is the 16th largest economic partner of the US. In 2018, nearly 7.2 thousand Vietnamese enterprises exported goods to this world's largest market, up 7.6% compared to 2017. Meanwhile, in the opposite direction, there were many businesses. Vietnamese enterprises import goods from

the United States more than enterprises export to this market. Specifically, in 2018, nationwide, up to 13.2 thousand enterprises imported goods originating from the United States, an increase of 6.3% compared to a year earlier.

Thus, the devaluation of the VND does not support exports much (thereby supporting the surplus trade balance) due to the peculiarities of Vietnam's economic structure. That is, a lot of exports means a lot of imports. This is because Vietnam's import and export activities are dominated by the foreign business sector (FDI). This block accounts for 70% of Vietnam's export turnover and 59% of import turnover in the period 2017-2019.

In summary, through the cases related to currency manipulation that the US accuses of countries (including Vietnam), it can be seen that the currency manipulation evaluation criteria applied by the US are not reasonable. solid foundation, has not yet received the consensus of trading partners, the recognition from international organizations and the expert community as well as the prestigious Research Institutes in the world.

3.3. Lessons learned for Vietnam

From the fact that the US "labeled" Vietnam as a currency manipulator and then announced that Vietnam was not a currency manipulator, a practical lesson has been learned for Vietnam that it is necessary to take the initiative Trade measures are appropriate so as not to violate the criteria established by US law and require timely, scientifically sound explanations to avoid being labeled "currency manipulation" by the United States. Below, from a personal point of view, some basic solutions should be well implemented:

Firstly, Vietnamese authorities need to be calm, cautious, well-coordinated, and proactively provide objective, detailed and transparent explanations so that the US can fully and properly understand the policy. and economic reality of Vietnam. At the same time, it is necessary to actively coordinate with US authorities to soon implement the process of exchange, negotiation and settlement of issues between the two sides. The State Bank will coordinate with relevant ministries and branches to discuss and work on issues of interest to the US side in the spirit of cooperation, mutual benefits, towards harmonious trade relations. in accordance with the Action Plan on cooperation between the two countries.

Second, speeding up the progress of balancing the trade balance with the US because the core issue that the US cares about is reducing the trade deficit with countries (including Vietnam) rather than just a monetary issue. pure. Accordingly, Vietnam needs to increase imports of goods and services from the US especially agricultural products, energy products, transportation, machinery, high-tech equipment, medical equipment, and vaccines against Covid-19 ... or promote large projects in the field of energy, electricity and gas (LNG) is a commodity that Vietnam has great demand while the supply from the United States is abundant, and the price is competitive). On the other hand, Vietnam also needs to show respect for the US's opinion and consistently show Vietnam's policy of always attaching importance to a stable and sustainable economic-trade relationship with the US.

Third, functional agencies and localities need to strengthen, drastically and coordinate to improve management efficiency, resolutely handle strictly acts of disguised trade and investment to

take advantage of incentives from Vietnam- US cooperation and other FTAs as well as tax evasion. On the other hand, it is necessary to encourage Vietnamese enterprises to actively research, produce and export to the US with technology and raw materials imported from the US, associated with building a closed supply chain to create efficiency. definitely for the business community of the two countries.

Fourth, the functional agencies need to strengthen exchanges and close coordination, speed up progress, seek solutions to effectively solve other issues of interest to the US side (such as intellectual property, intellectual property, etc.). network security, electronic payment...) and outstanding issues that best meet the interests of both countries. In particular, focus on solving difficulties in technology services, promotion, trade in services, introducing and expanding opportunities for Vietnamese businesses to access US goods. Therefore, the two countries need to actively exchange, review problems and promote resolution of US concerns, including effectively implementing action plans towards a harmonious and sustainable trade balance. reduce the trade deficit. With practical actions, we believe that the trade relationship between the two countries will continue to develop to new heights...

Fifth, authorities and businesses need to actively develop scenarios to respond to possible situations in order to have proactive, flexible and timely solutions, minimize negative impacts as well as maintain maintain a stable and sustainable economic-trade relationship with the United States. Therefore, the trend of Vietnam's trade surplus to the US will need to be adjusted towards the balance in the coming time. In the face of uncertain developments in global trade, the risk of stagnation caused by the Covid-19 pandemic in the past and in the near future will spur many US corporations to be more interested in investing in Vietnam. to develop a new supply chain model with redundant supply systems located at various locations to ensure sustainability and continuity. US investors assess that Vietnam will become an ideal, important and safe investment location of the global supply chain. Meanwhile, this is also the time when Vietnam is stepping up to improve the business environment, increase investment, and promote opportunities and potentials to attract investment flows from the United States, especially in areas with high investment potential. high value-added content. That will be a solid foundation for the two countries to balance trade in the future.

CONCLUSION

In order to promote trade relations with the United States in the coming time, in addition to the efforts of Vietnamese enterprises in improving the competitiveness of goods to be able to have a firm foothold in the US market, In the meantime, the Government also needs to direct state management agencies to be proactive in capturing relevant information, preparing documents to explain and prove to the US government when it is alleged that " currency manipulation". If there is a close and effective combination between the Vietnamese government and businesses, it is certain that the economic and trade relations between Vietnam and the United States will grow stronger and stronger.

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SOME FACTORS AFFECTING THE STOCK PRICE OF SOME LISTED CONSTRUCTION COMPANIES IN VIET NAM'S STOCK MARKET

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Abstract: *In this study, the relationship between factors including financial leverage, size and profitability of enterprises and stock prices of construction enterprises in Vietnam is analyzed. The main objective of this study is to determine whether there is a significant relationship between the change of factors and the stock prices of construction firms listed on the Vietnamese stock market. For this purpose, 42 construction companies with data from 2015-2019 were selected. The paper tests 3 hypotheses using econometric models. The results indicate that there is a significant relationship between ROE, size and stock price while the relationship between financial leverage and stock price is not statistically significant.*

Keywords: *Financial leverage, ROE, Stock Price*

1. INTRODUCTION

The debate over how a company chooses its capital structure and the factors that influence it is one that has been going on for many years and has huge arguments. There are hundreds of articles on financial ratios and the factors that influence this problem, many theoretical works have analyzed the relationship between debt and equity in achieving a fair rate between them. It is supposed that the way that company's financial is supported by different methods is one of the topic that was debated many times. The first one was supposed to be addressed by Modigliani and Miller [2](1958) and it has been the basis of many analyzes since then, leading to many new studies. Although there have been many studies on this topic, capital structure is still a topic of financial management that still meets a lot of controversy when it comes to specific business groups in each specific period. Construction enterprises is a group of enterprises that play a very important role in the economy, which have many specific characteristics, so the research on optimal capital structure is based on analysis of listed transportation construction companies would help other companies in the same industries to draw some lessons for themselves.

The rest of the paper is organized as follows: Section 2 shows literature review related to leverage and stock price. Section 3 gives information about the database which is used for calculation, as well as research methodology. Empirical results are presented in Section 4. The last section concludes the paper.

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2. REVIEW OF LITERATURE

Mustafa (2019) [3] studied the effect of asset size on stock price performance is analyzed through using 2nd generation panel data analysis methods. For this purpose, data of 7 listed companies that operate in the retail and sports sectors whose shares have been traded on the Borsa Istanbul during the 2012-2018 period were used. The existence of cross-sectional dependency among the firms was analyzed by LMBC test. Based on the findings of this test, the existence of cross-sectional dependence among these firms was determined. According to the results of the model, when the asset size of these firms increased by 1%, stock prices increased by an average of 3.21%. Therefore, it can be concluded that asset size has effect on stock price

Leverage and risk are two factors that often go together. This leverage indicates company assets that will be required for long-term and ongoing financial support and is intended to increase the performance of ordinary shareholders. The greater this leverage, the greater the risk of the company. The cost of assets increases because the cost of financial assistance increases with risk. Negative relationship between the annual changes in the leverage and the profit of the stock in the present and the upcoming year has found in Dimitrov and Jin's research (2008) [1]. Another negative relationship between the leverage and the upcoming income was shown through the research and it determined that a company may increase its debts when the expected performance can not be reached. The conclusion of the research is that debt signals will weaken the operational performance, leading to the weakening in the stock share price.

Saleh Nejhad and Ghaiour (2009) [4] compared the effect of property ownership ratios, shareholder equity and financial leverage on the share prices of firms accepted on the stock exchange of Tehran. They did this research across all companies and at different industries. In the overall approach, they have come to the conclusion that ROA and ROE have an effect on stock value, but financial leverage has no relationship to stock price. In the industry classification method, the results of financial ratios and stock prices vary between different companies, indicating the independent nature of the industries.

3. DATA, HYPOTHESES AND METHODOLOGY

3.1. Data

In this study, some construction companies listed on the Vietnamese stock market are selected for statistics. The reason behind this choice is the availability of information and clarity of financial systems. The stock market requires for timely financial reporting, resulting in a suitable environment for researchers.

For a statistically significant study the selected companies have several of the following characteristics.

- 1- Listed companies before 2019
2. Companies with revenues mainly from construction activities.

Due to the above conditions, the author could find only 42 construction companies on the Vietnamese stock market to analyze.

The variables of the study are addressed after researching other researchers of other authors and after receiving the professional advices from some financial experts, they are listed in the table below along with the methods for calculating each of them.

Table 1. Variables of the study

Symbol	Variable Name	Method of Measurement
Pt	Stock Price	Listed on the stock market
Size	Size	Natural Logarithm of Total asset on the balance sheet
ROE	Return on Equity	Return after Tax to Equity
Lev	Leverage	Book Value of total liabilities to Book Value of total Assets

3.2. Hypotheses

1. There is a statistically meaning relationship between the leverage and the companies' stock prices.
2. There is a statistically meaning relationship between operational performance and the companies' stock prices.
3. There is a statistically meaning relationship between the size and the companies' stock prices.

3.3. Methodology

To test hypothesis 1, businesses will be divided into 2 groups, group 1 with lower financial leverage and group 2 with higher leverage. Then, paired-sample T -test was used to check the difference in the prices of 2 groups.

To test hypothesis 2, businesses will be divided into 2 groups, group 1 with lower size and group 2 with higher size. Then, paired-sample T -test was used to check the difference in the prices of 2 groups.

To test hypothesis 3, businesses will be divided into 2 groups, group 1 with lower ROE and group 2 with higher ROE. Then, paired-sample T -test was used to check the difference in the prices of 2 groups.

Finally, the regression model will be used to test 3 hypotheses at the same time.:

$$S.P_{it} = \alpha + \beta_1 \times Lev_{it} + \beta_2 \times Size_{it} + \beta_3 \times ROA_{it} + u_{it}$$

4. RESULTS

4.1. T-test result

The paired-sample T test was used to test whether the difference is statistically significant.

Table 2. H1: Paired Samples Test

Mean	Paired Differences				t	df	Sig. (2-tailed)	
	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference					
			Lower	Upper				
Pair 1 Price - Lev	16760.690	17837.826	2752.436	11202.033	22319.348	6.089	41	.000

Table 3. H2: Paired Samples Test

Mean	Paired Differences					t	df	Sig. (2-tailed)
	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference					
			Lower	Upper				
Pair 1 Price - Ln Size	16816.9571931	17839.1075438	2752.6340543	11257.8999437	22376.0144424	6.109	41	.000

Table 4. H3: Paired Samples Test

Mean	Paired Differences					t	df	Sig. (2-tailed)
	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference					
			Lower	Upper				
Pair 1 Price - ROE	16830.3662381	17837.3374937	2752.3609297	11271.8605752	22388.8719010	6.115	41	.000

The 2-tailed Sig. Value shows that 3 times when dividing businesses into 2 groups according to 3 criteria, stock price and the factors have significant difference at the significance level of 5%.

4.2. Regression test result

The progress model in stata was used to test the hypotheses with the data set in the fixed affect and random effect models showing the results shown in the following two tables. After having the results, the author uses the hausman test to choose a more suitable model

Table 5. Randon Effect Model Result

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.. xtreg PRICE ROE LEV LNSIZE, fe
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Fixed-effects (within) regression           Number of obs   =       109
Group variable: MCK                        Number of groups =        22

R-sq:  within = 0.0705                     Obs per group:  min =         4
        between = 0.4646                               avg =        5.0
        overall  = 0.3037                               max =         5

                                           F(3,84)         =        2.12
corr(u_i, Xb) = 0.4130                       Prob > F         =       0.1033
```

PRICE	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
ROE	275.1033	112.3808	2.45	0.016	51.62175	498.5849
LEV	4.707952	216.1146	0.02	0.983	-425.0596	434.4755
LNSIZE	1446.617	5811.658	0.25	0.804	-10110.5	13003.74
_cons	-17790.96	110238.3	-0.16	0.872	-237011.9	201429.9
sigma_u	9494.4736					
sigma_e	8749.841					
rho	.54074662	(fraction of variance due to u_i)				

```
F test that all u_i=0:      F(21, 84) =      4.19      Prob > F = 0.0000
```

Table 6. Fixed Affect Model Results

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. . xtreg PRICE ROE LEV LNSIZE, re
Random-effects GLS regression           Number of obs   =       109
Group variable: MCK                    Number of groups =        22

R-sq:  within = 0.0675                  Obs per group:  min =         4
      between = 0.4954                               avg =        5.0
      overall = 0.3513                               max =         5

corr(u_i, X) = 0 (assumed)              Wald chi2(3)    =       24.29
                                           Prob > chi2     =       0.0000

```

PRICE	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
ROE	294.5568	102.0709	2.89	0.004	94.50153	494.6121
LEV	-80.84388	132.6979	-0.61	0.542	-340.927	179.2392
LNSIZE	5062.468	1437.658	3.52	0.000	2244.711	7880.226
_cons	-85236.47	28594.96	-2.98	0.003	-141281.6	-29191.37
sigma_u	7691.4539					
sigma_e	8749.841					
rho	.43589195	(fraction of variance due to u_i)				

The results of the Hausman Test show that, because $p\text{-value} = 0.6191 > 0.05$, that means we cannot reject the H_0 hypothesis with a significance level of 5%, concluding that there is no difference between FEM and REM are statistically significant, so it is more appropriate to use the REM model.

$$\text{Price} = -85,236.47 + 294.5568x\text{ROE} + 5,062.468x\text{LnSize}$$

The variables in the model explain 35.15% of the variation in the dividend policy showed by the value of R-square. ROE and firm size are proportional to stock price, indicating that firms with better ROE and larger size are valued at higher stock prices. There is no relationship between firm's financial leverage and stock price, indicating that the borrowing of firms in the sample has no significant effect on stock prices.

5. CONCLUSIONS

The size of the firm affects the stock price, showing that the large-scale enterprises are more trusted by the market, this is consistent with the characteristics of the traffic construction enterprises that they always need a large amount of capital. large to serve large-scale projects. So, when a company in this field wants to increase its stock price, it can plan to increase the size of the company, maybe through debt or guarantee, as analyzed above, debt is not actually had a clear effect on the firms in the sample.

ROE of businesses affects the company's stock price because it is the return on equity, which will greatly affect the ability to pay dividends to shareholders, so businesses will have to try to maintain ROE if the company wants to maintain its value per share, and if the company does not achieve the expected roe over the years, then a decline in the share price is predictable and the business should have strategies to deal with it.

The financial leverage of the firms in the sample is mostly high, and the data do not reflect a statistically significant relationship between leverage and stock prices, showing that firms can use debt according to their needs. Capital needs and investors are not too concerned about the level of debt of the group of enterprises in the sample.

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PRIORITY STATE BUDGET MANAGEMENT IN THE STATE AUDIT OFFICE OF VIET NAM

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Abstract: *The article studies the management and use of approved Budget to implement the Priority for cadres, civil servants, public employees of the State Audit Office of Viet Nam, classified according to content which are proposed to be remitted into the State Budget and the spending tasks that are allowed to be used in the 2016-2020 period. The article uses statistical and survey methods to evaluate the management and use of funds that are deducted to implement the Priority according to 14 detailed contents. After analyzing the achieved results, shortcomings and causes, the article has proposed a number of solutions for stakeholders to more effectively manage this funding of the State Audit Office of Viet Nam in the future.*

Keywords: *Priority budget, Priority budget management, State Audit Office*

1. INTRODUCTION

Priority for cadres, civil servants and employees of the State Audit is an annual work, based on the results of the implementation of audit recommendations, the State Audit Office of Viet Nam is entitled to deduct 5% of the amount discovered and recommended by the State Audit according to regulations to implement the Priority for cadres, civil servants and public employees of the State Audit.

The mechanism to allow the appropriation and use of funds based on the percentage of money actually paid into the State budget, which was discovered by the State Audit has been approved by the National Assembly Standing Committee in 2006. Since then, the documents of the National Assembly Standing Committee, the Government's Decree and the guiding Circular of the Ministry of Finance have many changes and additions to the actual operation situation. Specifically, the rate of deduction and use for the period 2007-2015 is 2%, from 2016 to now, 5% of the amount discovered and recommended by the State Audit has been implemented. With this specific funding source, the State Audit has mainly spent on incentives and rewards for officials, civil servants, public employees of the State Audit, in addition, it is also used to invest in facilities and infrastructure to strengthen the operational capacity[1,3,4,5]

The approved deducted items [2]

State Audit Office is entitled to 5% of the amount discovered and recommended by the State Audit, including:

- Increases in State Budget revenues in taxes, fees and charges and other revenues actually remitted into the State Budget or made through the clearing method, including:

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+ The items the units are obliged to declare and pay to the State Budget but fail to declare, make false declarations, or evade tax, tax fraud, or because of violations of other regulations on State Budget collection and payment, leading to under-determining of tax, fee, land use levy; land rent, water surface rent, sale of State-owned houses...

+ Tax arrears, fines for tax administrative violations, late payment interest to authorities, under-counted according to the provisions of tax law...

+ The items that the competent authorities must notify the taxpayer to pay the State Budget according to regulations but have not yet issued the notice and the taxpayer has not yet paid the State budget.

+ The items discovered and proposed to increase State Budget revenues are made by taxpayers; Payments to the State Budget that have been collected by agencies and units from related subjects but collected in excess or are not allowed to be collected according to the provisions of law; Fees for grant of mineral mining rights...

- The items actually spent from the State Budget in contravention of the regime and remitted to the State Budget (for settled expenditures), including:

+ Wrong unit price, volume, determination levels and differences for construction investment works and projects.

+ Using State Budget funds to spend on things that are not under the spending tasks of the State budget, not in accordance with the assigned tasks, or with the wrong spending regimes, standards and norms.

+ Using non-budget funds to spend on contents that are not for the right subjects of the funds or spend in violation of authority, regimes, standards, and norms.

- Expenditures that have been spent in the wrong budget are detected by the State Audit and recommended to reduce payments and reduce the next period's and next year's budget estimates.

- The estimated budget allocations exceed the allocated norms and are from the wrong source.

The State Audit Office of Viet Nam is entitled to use the extracted funds to spend on the following contents [6]:

- Expenses for incentives and rewards for cadres, civil servants, public employees of the State Audit (in addition to annual reward expenditures according to the provisions of the Law on Emulation and Commendation) must not exceed 0.8 times the salary level prescribed by the State, including: Salary defined by rank and position; Allowances (position allowance, allowance for excessive, preferential allowance according to profession).

- The remaining funds after encouraging and rewarding cadres, civil servants, public employees of the State Audit Office of Viet Nam are used to invest in facilities and strengthen the operational capacity of the sector. Including:

+ Expenses to increase investment in construction of the State Auditor's office in case of speeding up the construction of facilities and modernization while the funding source is in accordance with the provisions of the Investment Law was unsatisfactory; expenditures on repair, maintenance,

renovation, upgrading and expansion of physical facilities; expenditures on procurement, repair, maintenance of assets, machinery, equipment, working vehicles and means of transport in service of the audit; support the cost of operating the headquarters of the State Audit Office.

+ Additional expenditure on training, refresher training, conferences, seminars to improve professional skills, organizing delegations to draw experience within the country and abroad.

+ Scientific research expenses; information technology, implementing policies to attract talents; travel expenses for audit activities; propagating, disseminating and educating the law on auditing; improve the operational capacity of the industry.

+ Additional expenses for professional activities in service of the audit; payment for the service of providing information for audit activities.

+ Expenses for settlement of complaints and denunciations in the implementation of conclusions of the State Audit.

+ Expenses for encouraging collectives and individuals who have actively cooperated in the implementation of the State Audit's conclusions and recommendations; coordination in the performance of the sector's operational tasks.

According to reports of ministries, central authorities and through financial monitoring and management for State administrative agencies and units, there are currently 36 State management agencies, units which are applied the prioritized financial mechanism, income according to the tasks assigned by the State to perform... including the State Audit Office. Therefore, the management and use of these specific funding sources is a necessary requirement for all units in general and especially for units performing inspection tasks such as State Audit Office. The current situation shows that the use of this priority funding has many downsides which come from the policy mechanism to the implementation method of the beneficiaries. The in-depth study of the status of using the State Audit's priority funding to propose solutions is of great significance to this agency as well as a lesson learned for other State agencies in the future.

The following part of the paper is structured as follows: Part 2 is an overview of previous studies, part 3 present data and method of the study, part 4 is the results and part 5 gives some conclusions and recommendations.

2. LITERATURE REVIEW

Author Hoang Thi Thu Huong (2019) [7] presented the scientific theoretical and practical basis of State Management for the management of recurrent expenditures from the State Budget at State agencies. At the same time, the author analyzed and evaluated the management of recurrent expenditures of the State Budget in the State administrative area and the General Department of Taxation - Ministry of Finance. In particular, in his thesis, the author analyzed the financial management mechanism of the General Department of Taxation when the funding to ensure the operation of the General Department of Taxation is calculated at a stable rate of 1.8% of the annual State Revenue Estimate assigned by the National Assembly and the Government, and expenditures which comply with the regimes, standards and expenditure levels promulgated by competent agencies. The Minister of Finance approves and promulgates specific expenditures on the basis

of applying current standards and spending levels, suitable to the specific situation and funding sources.

Then, some solutions are proposed for the management of recurrent expenditures in general and specific expenses of the General Department of Taxation in particular, such as: Solutions to process of building, specializing policy for recurrent expenditure; Solutions to costing and allocating estimates; Solutions to improving the level of management staff; Solutions to shortcomings in financial management in the units; The solution the settlement work and strengthening the internal inspection.

Le Quoc Minh (2016) [11] has updated the Decision regulating the coefficient of adjustment of the base salary increase for civil servants, public employees working at the Management Board of Hoa Lac Hi-Tech Park under the Ministry of Science and Technology of the Prime Minister. In which, the beneficiaries are civil servants and public employees in the commission and the number of employees approved by the competent authorities, people working under the labor contract regime with salaries according to Decree No. 204/2004/ND-CP dated December 14, 2004 of the Government working at Hoa Lac Hi-Tech Park in the following organizations and units: Organizations performing the State management function of the Management Board of Hoa Lac Hi-Tech Park; scientific and technological non-business agencies under the Management Board of Hoa Lac Hi-Tech Park (including the Training Center and the Center for High-Tech Business Incubation), and beneficiaries applied the base salary adjustment coefficient increased by 0.8 times compared to the base salary.

Author Chi Kien (2019) [12] has Stated some contents in the Decision No. 32/2019/QD-TTg2019 Prime Minister's dated October 29, on a number of specific spending regimes of the Viet Nam Maritime Administration. In particular, the content and specific spending regime, the average salary is applied with a salary coefficient of 1.8 times the salary for cadres, civil servants and public employees prescribed by the State. The maritime safety and security bonus is applied at the rate of 15% of the salary of rank and position for civil servants directly engaged in the management, supervision and assurance of maritime safety and security. The Viet Nam Maritime Administration is entitled to pay for work clothes. The Ministry of Transport prescribed the working attire regime for the Viet Nam Maritime Administration; The Ministry of Finance stipulates the level of spending on work clothes according to the promulgated clothing policy. The specific content and mode of spending specified above shall be included in the autonomous allocation budget. When the salary coefficient increased by 0.8 times; maritime safety and security bonuses and working clothes shall be arranged from the retained maritime toll revenues according to regulations of the Ministry of Finance.

Author Duc Tuan(2020) [10] has Stated a number of specific expenditure tasks of the Department such as: expenditure on strengthening the management, supervision, inspection and examination; expenditure on information technology application; expenditure on organizing training, refresher training ; expenditure on organizing conferences, seminars, information dissemination on insurance and insurance market; expenditures on hiring domestic and foreign actuaries... Funds for performing the task of spending for the operation of the Agency for Management and Supervision of Insurance shall be arranged by the collected fees budget for management and supervision of activities for insurance activities in accordance with the law on fees and charges.

Dr. Dinh Trong Hanh (2020) [9] did research based on a systematic and comprehensive approach along with appropriate research methods: synthesis, analysis, modeling... on the decentralization of management of audit activities of SAV, and it mentioned that the decentralization of SAV's operation management should be based on financial potential and other potentials, including funding to implement the Priority for SAV. The study proposed 3 groups of solutions in order to improve the decentralization of SAV's audit management, including: Group of solutions to the decentralization of SAV's audit management; The solution group to the decentralization of audit management of SAV and the group of complementary solutions to the decentralization of audit management of SAV. In addition, the thesis proposed recommendations to SAV and to the National Assembly on measures to ensure the feasibility of solutions to complete decentralization of the management of SAV's audit activities. The research results of the thesis are used for research and implementing suggestions to complete the decentralization of audit management of SAV; serve as a basis for developing textbooks and documents in service of training State auditors; serve as the basis for research and development of legal documents, administrative and professional documents on decentralization of audit management of SAV.

According to the author's research, up to the time of the study, there have been no studies on financial management at the State Audit Office of Viet Nam in general and the management and use of the allocated funds to implement the priority policy for the State Audit in particular. Therefore, the author chooses this issue as the research content to propose solutions to effectively manage this budget of the State Audit in the coming time.

3. DATA AND METHODOLOGY

3.1. Data source

- Estimates and use of 5% of the State Audit's budget for the 2016-2020 period are taken from the 2016-2020 Financial General Report, the Finance and State Audit Department.

- For more insight, the primary data source through the survey is taken from a survey of staff working at the State Audit Office of Viet Nam.

3.2. Analytical method

- Descriptive statistics method is used with the data of the estimate data and the use of 5% budget of the State Audit

- Survey method according to 5-level Likert scale was implemented to collect data and analyze the mean value used to assess the appropriateness.

The author designed a survey on a 5-point Likert scale to assess the effectiveness/appropriateness of the Management on Estimate and the use of 5% Budget at the State Audit with the following levels:

1. Ineffective/appropriate suitable
2. Less effective / suitable
3. Effective / suitable

4. Very effective / suitable
5. Extremely effective / suitable

Then the author uses the average value to make an assessment.

$$\text{Average Value} = \frac{\sum_{i=1}^5 \text{Number of votes for } i \cdot i}{30}$$

Survey content is shown in the following table:

Table 1. Surveyed contents

No	Survey content
	Management of deducted items
1	Increases in State Budget revenues from taxes, fees, charges and other revenues
2	The items actually spent in the wrong budget and remitted to the State budget
3	Proposed items to reduce payments, reduce budget estimates for the next period and next year
4	The estimated budget allocations exceed the allocated norms and are from the wrong source
	Managing the use of deducted funds
5	Salary defined by grades, position
6	Position allowance
7	Allowance for excessive
8	Preferential allowances by profession
9	Increase investment expenditure on Office construction
10	Additional steering training, refresher training, conferences and seminars
11	Additional spending on professional activities in service of auditing
12	Expenditure on scientific research, spending on information technology, spending on implementing policies to attract talent workers
13	Expenses for settlement of complaints and denunciations in the implementation of conclusions
14	Expenses for encouraging collectives and individuals who have actively coordinated in the implementation of the State Audit's conclusions and recommendations

4. RESEARCH RESULTS

4.1. Actual situation through data from reports

The deducted budget to implement the Priority for SAV's cadres, civil servants, public employees (*referred to as the 5% budget*) is considered as a specific revenue based on the audit results of SAV to give priority to SAV in order to reduce pressure on the State Budget when it does not have to provide additional funding and encourage SAV's activities, improve the quality of audit. Therefore, it is necessary to estimate, manage and finalize the deducted funds according to the following process:

- Annually, at the time of making estimates of State Budget revenues and expenditures; SAV bases on the implementation of the amount of money which was discovered and recommended

by the SAV agency until that time to estimate the 5% deducted budget of the plan year; to work out the cost estimates for the budgeted portion of the plan year; Summarize in the estimates of budget revenues and expenditures of agencies and units, and send them to the Ministry of Finance for general synthesis into the State Budget estimates for submission to competent authorities for decision.

- The cost estimate is deducted from the 5% budget, which is noted separately in the annual budget revenue and expenditure estimate of the State Audit.

- Handling the difference between the deducted fund and the estimated fund: Based on the report on the results of the implementation of the State Audit's recommendations, which has been confirmed, the Ministry of Finance will consider and settle the difference between the amount of money deducted from the confirmed findings and recommendations and the amount given in the State Audit's expenditure estimate as the following:

+ In case the amount deducted from the findings and recommendations certified is higher than the amount already arranged in the annual estimate, the missing amount will be included in the estimate of the following year of certification. In case of necessity, the State Audit Office of Viet Nam will make a written request for additional funds to be deducted and make a detailed estimate, enclosed with a written certification of documents on implementation of the State Audit's recommendations, submit to competent authorities for additional funds deducted as prescribed.

+ In case the amount deducted from the confirmed findings and recommendations is lower than the amount already arranged in the annual estimate, the excess difference will be deducted from the amount to be arranged in the following of certification.

Table 2: Estimated data and budget use 5% of the State Audit Office for the period 2016-2020

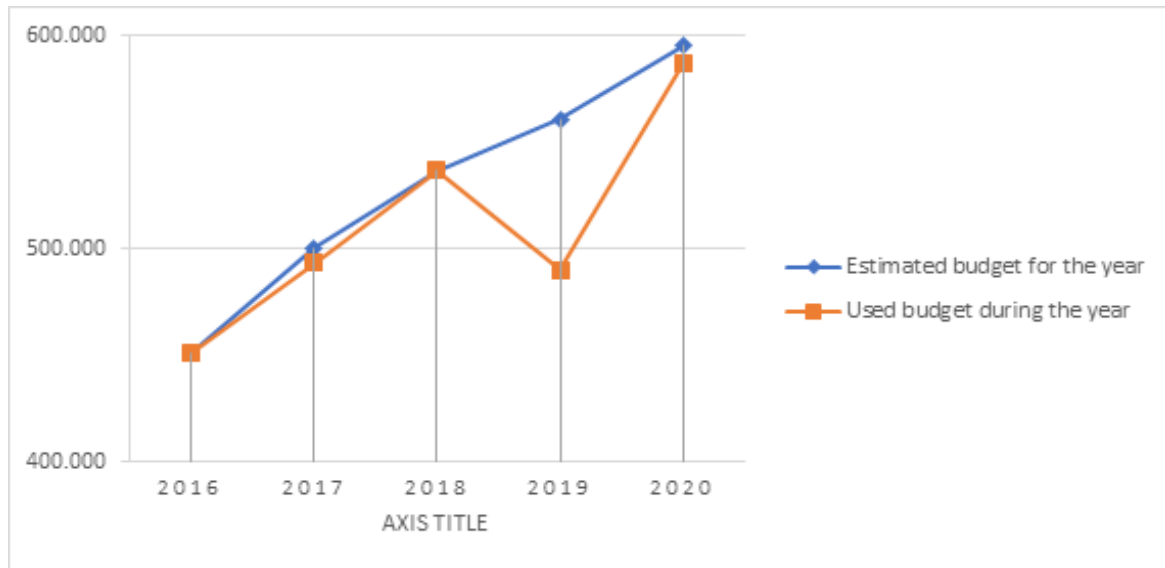
Unit: million VND and %

Year	Unit	2016	2017	2018	2019	2020
Estimated budget for the year	<i>(million VND)</i>	450,653	500,547	536,872	560,870	595,432
Used budget during the year	<i>(million VND)</i>	450,653	493,087	536,570	489,902	586,798
Unused budget carried forward to next year	<i>(million VND)</i>	-	7,460	302	70,968	8,634
Rate of implementation of the estimated Budget	<i>(%)</i>	100.00	98.51	99.94	87.35	98.55

Source: Author's compilation from the State Audit [8-3]

The implementation of the 5% budget estimate of the State Audit for the period 2016-2020 is shown in the following figure:

Unit: million VND



Source: Compiled by the author from the State Audit [11]

Figure 1: The implementation of the 5% budget estimate of the State Audit for the period 2016-2020

According to Table 1 and Figure 1, the estimate of 5% budget from 2016-2020 has increased rapidly over the years. In 2016, the estimate of 5% budget is 450,653 million VND, in 2017 was 500,547 million VND, there was an increase of 11.07% compared to 2016; in 2018 it was 536,872 million VND, up 7.26% compared to 2017; in 2019 was 560,870 million VND, showing an increase of 4.47% compared to 2018 and in 2020 this estimate is 595,432 million VND, equaling to an increase of 6.16% compared to 2019.

The rate of implementation of the estimate also reached a high rate, in 2016 it was 100%, 2017 it reached 98.51% followed by 99.94% in 2018, standing in the fourth place was the year of 2019, it reached the lowest rate of 87.35% because the estimate for the year was still increased compared to 2018 but the number of implementations decreased, leading to the implementation rate is low. In 2020, it increased again and the figure was 98.55% for 2020. Unused funds of each year were carried over to the following year.

4.2. Actual situation through surveys and interviews

The author sent a 14-question survey to collect opinions of 50 officials working in State Audit agencies to ask for their assessment related to the issue of management and use of the deducted fund to implement the Priority for the State Audit. The number of votes collected is 50, reaching 100%, the results are as follows:

Table 3. Summary of survey results

No	Survey content	Number of choices according to 5 levels					Total number of votes	Average
		1	2	3	4	5		
	Management of deducted items	1	2	3	4	5		
1	Increases in State Budget revenues from taxes, fees, charges and other revenues	-	28	21	1	-	50	2,46

2	The items actually spent in the wrong budget and remitted to the State budget	2	29	19	-	-	50	2,34
3	Proposed items to reduce payments, reduce budget estimates for the next period and next year	1	35	14		-	50	2,26
4	The estimated budget allocations exceed the allocated norms and are from the wrong source	-	33	17		-	50	2,34
<i>Managing the use of deducted funds</i>								
5	Salary defined by grades, position	-		31	19	-	50	3,38
6	Position allowance	-	2	35	12	1	50	3,24
7	Allowance for excessive	-	2	29	16	3	50	3,40
8	Preferential allowances by profession	-	5	36	9	-	50	3,08
9	Increase investment expenditure on Office construction	-	7	29	14	-	50	3,14
10	Additional steering training, refresher training, conferences and seminars	-	5	31	14	-	50	3,18
11	Additional spending on professional activities in service of auditing	-	-	35	11	4	50	3,38
12	Expenditure on scientific research, spending on information technology, spending on implementing policies to attract talent workers	-	2	41	7	-	50	3,10
13	Expenses for settlement of complaints and denunciations in the implementation of conclusions	2	6	42	-	-	50	2,80
14	Expenses for encouraging collectives and individuals who have actively coordinated in the implementation of the State Audit's conclusions and recommendations	1	9	40	-	-	50	2,78

If the average value of an item reaches any level of the Likert scale, the item can be classified as receiving the rating value on the Likert scale.

- Question 1 to 4 mentions 04 items on management of deductions are assessed as "less effective/appropriate" due to having a low average score of less than 2.50 (from 2.26 to 2.46). This represents the opinions of staff that manage the SAV has yet effective / appropriate for the items deducted from the recommendations of the SAV, the actual rate of SAV proposed implementation period 2011-2015 is 67% and increased in the period 2016-2020 but only reached 73.6%. The management of deductions partly depends on the coordination of the audited units because the number of deductions is calculated on the actual amount paid, so in the condition that the units intentionally delay when making the audit recommendation, there would be significant impact on SAV's allocated funds. At the same time, the process of collecting documents and making final settlement with the Ministry of Finance still has under long time of administrative procedures,

which are not convenient and appropriate... even that a lot of money has been remitted into the State Budget by the audited unit but they are not specified with the content "*Remitted to the State Budget at the request of the State Auditor*", leading to the situation that they will be disallowed, not included in the amount already made to deduct 5% of the benefit.

- Question 5 to 12 address 08 items on management of the use of deducted funds, the assessment is "effective/appropriate" due to a relatively high average score, above 3.00 (from 3.06 to 3.40). This is the mainly use of this funding source, spending to encourage and reward SAV's officials, public servants, public employees. The remaining funds are used to invest in facilities and strengthen the operational capacity. Since almost all payments for individuals are paid by SAV via bank account and forwarded the Statements forms for comparison, review and feedback if there are any errors. These payments are usually fixed on a monthly basis and are transparent, so the management of these expenditures was assessed as quite effective/appropriate by the survey staff.

- Questions 13 and 14 diving into 02 items on management of the use of the deducted funds, including expenses for settlement of complaints and denunciations in the implementation of conclusions and expenses for encouraging collectives and individuals who have actively coordinated in the implementation of the conclusions and recommendations was assessed as "less effective/appropriate" due to the relatively low average score below 3.00 (2.78 and 2.80). The use of funds to spend on these two contents accounts for a low proportion, mainly used for the above 08 contents, if there is excess funding, it will be used for these two contents. The fact that SAV has not focused on using the 5% budget on encouraging the implementation of petitions, complaints and denunciations is one of the reasons leading to the downslide that this task has not been thoroughly handled in recent years, and many petitions and complaints have not been resolved for many years.

4.3. Achieved results, limitations and causes

4.3.1. Acquired results

- When receiving the decision on allocation of State Budget revenue and expenditure estimates and additional funding sources in the year, SAV will allocate and assign detailed estimates to each budget-using unit according to the total allocation estimates in the Decisions and in accordance with the assigned financial resources. The Finance Department of SAV Office publicizes the allocation and adjustment of State Budget revenue and expenditure estimates and promptly guides level III estimate units to comply with the allocated estimates.

- The agency has changed from allocating the budget according to the approved total budget to allocating according to the estimate, from assigning detailed cost estimates by item to assigning estimates by item groups, etc... Thereby, administrative procedures in the stage of budget allocation have been drastically reformed, which saves time and effort for level I estimate units; at the same time, spending units are soon allocated and assigned estimates to actively spend right from the first days of the budget year.

- Administrative processes, methods and procedures in the stages from making estimates to complimenting estimates and finalizing the State Budget have been improved, simplifying administrative procedures and reducing unnecessary affairs. necessary, which saves time and cost of State Budget management, while still ensuring the requirements of State Budget management

and administration. State Budget management and control; Inspection and audit have been strengthened and focused, so it has gradually improved financial discipline in the management of the State budget.

- In terms of SAV's specific revenues from the 5% annual budget, they will be compared and settled specifically with the Ministry of Finance. The difference due to increase in State Budget revenue and decrease in State Budget expenditure is transferred by the audited units to the State Budget with sufficient documents, ensuring the content "submitted to the State Budget according to the proposal of SAV", this is the basis for calculating and finalizing the 5% budget of SAV.

4.3.2. Limitations and causes

In addition to the State Budget for regular operations, SAV also has a revenue of 5% of the amount discovered and recommended by SAV. The number of expenditures made from the budget source 5% of the years accounted for a large proportion of the total recurrent expenditures in the year, specifically: in 2016 the proportion of recurrent expenditures from this source was 47.1%, in 2017 it was 51.39%, 54.02%, 52.31% and 56.86% in 2017, 2018, 2019 and 2020, respectively. This amount of annual funding depends on the number of SAV detected and the audited units have paid up to estimate the budget to be deducted in the plan year. In fact, the management of this funding source is facing a range of challenges:

- The base for deducting the budget for the plan year is the actual amount collected into the State Budget or the actual amount of expenditure reduction from the State Budget after the audit agency has performed its duties. Thus, many audit findings have been proposed to be submitted to the State budget, but the audited units have been slow to implement or have submitted but not fully or on time. Normally, according to SAV's recommendation, in about 3 to 6 months, the audited entity must strictly implement SAV's recommendation, but there are many units that do not strictly implement it, but so far, there is still no legal document with a sanction clause on the late implementation of SAV's recommendations. Although the implementation rate of SAV's recommendations in the period 2016-2020 has increased compared to the previous period (67% in the period 2011-2015), it merely reached 73.6% of SAV's recommendations.

- In Circular No. 16/2019/TT-BTC dated 18/3/2019, it clearly stipulates the responsibilities of audited, collated units and related agencies to confirm the auditor's recommendations. When implementing the proposal of SAV, the unit that pays money to the State Budget will receive an official letter from SAV to the unit, on the document specifically stating: "remit into the State Budget at the request of SAV in the annual finalization report". However, the receipts of payment to the State Treasury of many units do not show the content of money payment in accordance with the provisions of this document, causing difficulties in the comparison between SAV with the State Treasury and the Ministry of Finance. Therefore, a lot of the amount actually paid by the unit to the State Budget is not recorded as the number of implementation of SAV's recommendations for the purpose of deducting 5% of the budget.

- In addition to reporting on the implementation of audit recommendations at the request of the State Auditor, when making the annual final settlement report. The audited units, based on the audit recommendations or certifications of the relevant units, shall make reports on the amount of

the audit recommendations made in the year and send them to the superior management units, the audited units. The upper management shall summarize and report on the implementation of the audit proposal (detailed to each document, implementation content) and send it to SAV and the Ministry of Finance.

- The use of 5% of the budget on 02 items which are Expenses for settlement of complaints and denunciations and Expenses for encouraging collectives and individuals who have actively coordinated in the implementation of conclusions and recommendations still account for a low proportion. Therefore, timely encouragement to promote the role of employees in the implementation of recommendations, complaints and denunciations in the process of participating in the performance of tasks has not been given.

5. SOLUTION

Firstly, strengthen the control over all expenditures from the State Budget through the State Treasury. There must be coordination between SAV and the State Treasury in resolutely refusing to pay for expenses that are not eligible for spending, the content on the payment documents is unclear... according to the Law on State Budget. and guiding documents of the Ministry of Finance in order to contribute to better implementation of the process of budget expenditure management. There must be a record of strict management of transactions when performed in the form of money orders or payments from the beneficiary's deposit account from the State budget, in order to make the budget of SAV to be used in an effective and economical way, avoiding waste and spending in accordance with the State's regulations on spending standards, regimes and norms.

Secondly, strengthen the leadership of the SAV leadership, the management and control of the Finance Department over the management of State Budget expenditures to avoid wasteful, uneconomical and inefficient expenditures. SAV can use many forms such as checking, urging, propagating and educating cadres, civil servants and employees to raise awareness and responsibility for saving and avoiding using waste of State budget.

Thirdly, increase the rate of implementation of the recommendations of the audited units, for the units that show signs of inactivity, SAV needs to build a sanction if they make late payment or pay insufficient amounts which has been proposed to the State budget. The units leading the audit of SAV should consider the inspection and implementation of the audit recommendations as a key task of the unit. In particular, it is necessary to focus on improving audit quality, ensuring audit opinions, conclusions, and fully and correctly record and store audit records as regulation; focus on exchanging audit results with the entity before issuing the audit report so that the audit conclusions and recommendations are feasible. Pay close attention, urge and encourage the audited units to fully and promptly implement the audit recommendations, gradually improving the rate of implementation of SAV's recommendations.

Fourthly, it is necessary to strengthen the application of information technology in the work of synthesizing and monitoring audit results and the implementation of audit conclusions and recommendations to ensure accuracy, completeness and continuity. When detecting that the audited units have not made recommendations or have already made recommendations but have not yet made reports on SAV, SAV should be proactive in issuing documents related to the

contents of audit recommendations which has not been performed. It is necessary to strengthen inspection, supervision and handling according to the provisions of law for collectives and individuals who deliberately delay or fail to comply with audit conclusions and recommendations; strengthen coordination relationships with localities and units in exchanging and responding to audit recommendations.

Fifthly, when the audited unit has paid money into the State Budget but the document does not clearly show the content “*remit to the State Budget according to the proposal of SAV*” as the basis for the finalization of the 5% budget. SAV needs to propose to the Ministry of Finance to consider a separate mechanism for these documents when there are sufficient documents to prove the payment to the State Budget in accordance with SAV’s recommendations to ensure SAV’s interests. This mechanism can be implemented as follows: every year, when SAV conducts audits on the implementation of recommendations (usually one year after the issuance of the Audit Report), If these unsecured documents are discovered, the inspection teams will review, compare and sign for certification of the number of documents and the amount paid between 03 agencies including: SAV and the Finance Agency (Department of Finance, Division of Finance) and State Treasury (where the audited entity makes payment) as the basis for annual implementation. Thus, when the responsible parties have confirmed, this amount is guaranteed to be the amount proposed by SAV to increase State Budget revenue and ensure SAV’s legitimate interests.

Finally, reasonable funding needs to be balanced to increase the amount of money to serve the tasks of settlement of complaints and denunciations and expenditure of encouragement, encouraging collectives and individuals to actively cooperate in the implementation of conclusions and recommendations to encourage timely to promote the role of employees in the implementation of recommendations, complaints and denunciations in the process of participating in the performance of tasks. At the same time, the petitions and complaints lasting from previous years are completely resolved.

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ANALYZING THE IMPACT OF ASEAN SINGLE WINDOW ON IMPROVEMENT OF LOGISTICS PERFORMANCE INDEX: A CASE OF ASEAN COUNTRIES AND POLICY IMPLICATIONS FOR VIETNAM

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Abstract: *Analyzing the impact of ASEAN Single Window (ASW) on improvement of Logistics performance index is a significant concern of the Government, businesses and researchers. This paper focuses on analyzing the impact of ASEAN Single Window (ASW) on improvement of the Logistics performance index (LPI) across 10 ASEAN countries. The research has found a positive relationship between the two criteria of customs clearance and logistics service quality and the LPI. Through the implementation of ASEAN Single Window (ASW), customs administration has a positive impact on two criteria of customs clearance and the quality of logistics services to improve the LPI. In addition, the study also proposes a number of ASW solutions to improve the LPI for ASEAN member countries and Vietnam.*

Key words: *logistics performance index; ASEAN single window; electronic customs.*

1. INTRODUCTION

The Association of Southeast Asian Nations (ASEAN) is a regional association established on the basis of the Bangkok Declaration of August 8, 1967 with the participation of five founding members (Indonesia, Malaysia, the Philippines, Singapore and Thailand). After 43 years of development, ASEAN has 10 member countries (5 more countries are Brunei Darussalam, Laos, Myanmar, Cambodia and Vietnam). ASEAN has become an intergovernmental regional cooperation organization, having important political and economic influence in the Asia-Pacific, partnering with major countries as well as important economic and political organizations around the world.

ASEAN aims to develop the Association to be a deeper and more binding intergovernmental cooperation organization on the legal basis of the ASEAN Charter. The ASEAN Community is formed based on three pillars: (i) Political-Security Community, (ii) Economic Community, (iii) Socio-Cultural Community. In particular, the ASEAN Economic Community (AEC) has been formed since 2015 to create a single common market and unified production base to promote the free movement of goods, services, capital and skilled labor; enhance competitiveness and promote

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common prosperity for the whole region; create attractiveness for international investment and business (ASEAN Information and Propaganda Steering Committee, 2017).

ASEAN's significant mark was achieved in 2018, representing an important consumer market with the population of 649.1 million; the average income per capita reached 4,601.3 USD/person/year; is the fifth largest economy in the world with a gross domestic product (GDP) of USD 3,000.0 billion, the real GDP growth rate of 5.2% (2018) and the average of 5.3% over 2000-2018; import and export turnover reached USD 2,816.0 billion, trade balance surplus reached USD 48.0 billion; total foreign direct investment (FDI) reached USD 154.7 billion, of which intra-regional FDI investment reached USD 24.5 billion, foreign FDI investment in the region was USD 130.2 billion (some top partners in terms of total FDI value such as: EU (USD 14.2 billion), Japan (USD 13.7 billion), China (USD 6.6 billion), Hong Kong - China (USD 6.6 billion)

In particular, the economic structure of ASEAN has had a positive change towards the development of industry and services. The economic structure is grouped into three main sectors: the share of agriculture is 12%; the proportion of production and manufacturing is 37.7%; the proportion of services is 48.7% in 2010. The structure has shifted in the direction of reducing the proportion of the agricultural sector to 10.3%; while the proportion of manufacturing industry was about 36.6% and the service industry increased to 50.1% in 2018. ASEAN countries have agreed to adopt Logistics sector as one of 12 priority areas to accelerate intra-regional linkages (including agricultural products; automobiles; electronics; fisheries; rubber products; textiles; wood products; air transport; ASEAN e-commerce; healthcare; tourism; Logistics) (ASEAN Secretariat, 2008). The development of trade in logistics services has strategic significance, not only as an optimal connection from supply, production, and distribution to consumption, but also to promote the connection of intra-ASEAN goods trade as well as foreign trade. In addition, the logistics industry has gradually become an important component for GDP growth of member countries and the ASEAN region. William Gibson (2017) estimates that logistics costs account for about 8% of GDP in the developed countries with the most efficient Logistics industry such as the United States, Netherlands, 13% of GDP in the countries of Organisation for Economic Co-operation and Development (OECD), between 16-18% in China, 18-22% in ASEAN countries) and about 25% of GDP in the countries with inefficient logistics systems.

In 2015, logistics services were included in the priority development strategy of the region by member countries. ASEAN countries have signed the Protocol to implement the AFAS 9 service commitment package in the ASEAN Framework Agreement on Services signed in Malaysia on November 6, 2015, which emphasizes the priority of 5 sectors including: healthcare, tourism, logistics, e-ASEAN and aviation. This is a key criterion in ASEAN's trade policy aimed to establish a unified and connected logistics environment and turn ASEAN into a logistics center in the Asia-Pacific region (ASEAN Secretariat, 2015).

For Vietnam, the Government has signed and approved the ASEAN Framework Decree, clearly planning the roadmap for ASEAN integration in logistics services. The Government has affirmed the important role of logistics services in Decision No. 200/2017/QĐ-TTg, dated February 14, 2017 and revised Decision No. 201/2021/QĐ-TTg, dated February 22, 2021 on approving action plans to improve competitiveness and develop Vietnam logistics services to 2025:

(1) Logistics is an important service industry in the overall structure of the national economy, supporting, connecting and promoting socio-economic development of the whole country as well as each locality, contributing to improving the competitiveness of the economy; (2) Developing logistics services into a service industry that brings high added value, linking logistics services with the development of goods production, import and export and domestic trade, development of transportation infrastructure and information technology.

The governments of ASEAN members have had a number of positive policies and movements in improving the Logistics Performance index (LPI) to comprehensively and sustainably develop the logistics service industry in each country as well as connect and develop the logistics industry in ASEAN. National LPI scores and rankings have improved between 2007 and 2018. In the coming period, the goal of improving the LPI index is set and is the focus of enhancing the quality of ASEAN's trade in services in general and of each member country in particular. For Vietnam, the Government has set a goal: *"By 2025, ranking of the national LPI will have reached 50th or higher; the contribution of the logistics service industry to GDP will have been about 8%-10%, the service growth rate will have reached 15%-20%, the proportion of outsourcing logistics services will have reached 50%-60%, logistics costs will have decreased equivalent to 16%-20% of GDP"* (Prime Minister, 2017).

LPI is researched and introduced by the World Bank (WB) to rank the national efficiency and capacity of logistics activities. This index is determined every two years and has had 6 LPI ratings in 2007, 2010, 2012, 2014, 2016, 2018. The international LPI index is built on 6 criteria, including 3 input criteria: (1) customs, (2) infrastructure, (3) Services and 3 output criteria: (4) international shipments, (5) timeliness, (6) Tracking and tracing (World Bank, 2007, 2010, 2012, 2014, 2016, 2018).

Jose Tongzon and Inkyo Cheong (2013) systematize previous studies (such as: Fink, Mattoo, and Neagu, 2000; Frankel and Romer, 1999; Hummels, 2000; Anderson and Banomyong, 2010) and give the comment that: (i) Improved efficiency in transport and logistics will directly improve export turnover and economic growth; (ii) Greater efficiency in logistics will create higher market demand, companies will increase economies of scale, reduce costs, promote growth; (iii) The effective organization of the logistics industry will be an important factor to facilitate international trade and domestic transportation. Meanwhile, Sanchita Basu Das (2017) indicate that a 1% improvement in customs and logistics facilitation among ASEAN members will boost growth of intra-regional trade by 1.5%.

Customs administration is a government agency with the function of state management in import and export activities, performing such functions as: customs inspection and supervision for imported and exported goods, means of transport on exit, entry or in transit; anti-smuggling and illegal transportation of goods across borders; collecting revenue of customs duty related to import and export goods, professional management of customs brokers. In fact, the Customs has made a direct and important contribution to the improvement of the LPI index by affecting two groups of criteria: customs clearance and quality of logistics services. However, in order to increase LPI's scores and rankings in the near future, the customs authorities of member countries need to have specific and effective solutions to improve the national competency index, thereby improving the business environment (DB: Doing Business) and national competitiveness index (GCI: Global competitiveness index).

This study combines quantitative and qualitative methods to analyze, evaluate and solve the problem of improving the LPI of ASEAN member states. It adopts SPSS 20 software to test Cronbach's alpha coefficient, exploratory factor analysis (EFA) and carry out linear regression to determine the relationship between customs clearance criteria, logistics service quality and LPI index. The data is sourced from LPI index database of 10 ASEAN member countries surveyed by the World Bank in 2007, 2010, 2012, 2014, 2016, 2018. Number of observations of 10 member countries in 6 years 56 observations (because Brunei only has 2 observations, 2016 and 2018, missing 4 observations). In addition, this article also analyses cross-border trade transaction criteria in the ease of doing business index surveyed by the World Bank (from 2007-2019); data reported by the General Department of Vietnam Customs and ASEAN countries.

2. LITERATURE REVIEW

The World Bank (2007) researched and published the LPI index for the first time in 2007. The LPI index is translated into Vietnamese with a number of different names but the same essence: logistics efficiency index (Ministry of Industry and Trade' 2019b), or logistics performance index (Nguyen Tuong, 2018), or national logistics capacity index (Prime Minister, 2017). However, whatever the name, the essence of the LPI is to provide simple comparative indicators of the efficiency of the supply chain connected to logistics activities. The World Bank (2018) comment that: *"Although it is only an index issued by one organization, so far the World Bank's LPI has been recognized by a large number of countries as an indicator of competitiveness and performance of the logistics service industry in each country. LPI has been used by policymakers, trade experts, and researchers in assessing and comparing logistics developments. Thereby, LPI allows governments, businesses and stakeholders to assess the competitive advantage created by logistics activities and take measures to improve logistics - the lifeblood of the global economy"* (WB, 2018).

For the overall assessment, LPI index consists of 2 components - the international LPI and the domestic LPI. In which, broadly speaking, logistics is a network of services that support the movement of goods, cross-border trade and domestic trade. In the framework of the research focusing on the international LPI index, the index is evaluated on a liker scale 5, which is assigned a score from 1 point (lowest) to 5 points (highest). The LPI index depends on 6 criteria that are assigned points by the surveyed subjects according to the evaluation criteria: 1 point (very low), 2 points (low), 3 points (medium), 4 points (high) and 5 points (very high). There are 6 criteria are proposed, including: (1) Criteria for effectiveness of Customs clearance (C: Customs): Efficiency of border control agencies, such as the speed of customs clearance of export and import goods; simplification of customs procedures and predictability of customs clearance procedures (openness, transparency, stability of customs procedure regulations); (2) Infrastructure criterion (IN: Infrastructure): Quality of infrastructure related to commerce and transport (infrastructure for seaports, airports, railways, roads, seaways, cargoes, warehousing, information technology infrastructure and IT services); (3) Logistics service quality criteria (LS: Service quality): The capacity and quality of logistics service providers, such as enterprises providing road, rail, and air transport services; warehousing and distribution enterprises; forwarding agents; customs clearance agents; trade and transport-related associations; shipper and consignee; (4) Delivery criteria (Sh: International shipment): The ease of arranging transportation of import and export goods with

competitive prices: agency fees, port fees, fees tolls and roads, storage fees...; (5) Tracking and tracing (TR): Ability to track and trace shipments; (6) Criteria for delivery Timeliness (Tm: Time): The punctuality of shipments being shipped upon arrival against the specified deadline; Import and export shipments are cleared through customs clearance and delivered on time.

Thus, the study regresses the LPI index (dependent variable) against 6 component criteria (6 independent variables). The independent variables are assumed to have a linear relationship with the dependent variable LPI through the coefficient (α_i). The regression model is as follows:

$$\text{LPI} = \text{F}(\text{X}_i) = \alpha_0 + \alpha_1\text{X}_1 + \alpha_2\text{X}_2 + \alpha_3\text{X}_3 + \alpha_4\text{X}_4 + \alpha_5\text{X}_5 + \alpha_6\text{X}_6 + \varepsilon_0 \quad (\text{Model 1})$$

In addition, existing studies have shown the impact of customs authorities on the criteria of customs clearance (C) and quality criteria of logistics services (LS).

WTO (2017) proposes in chapter 7 recommendations to create favorable conditions for international trade, minimize time and financial costs for export and import activities. The customs authorities should apply modern measures such as: administrative reform, application of information technology and publicity of procedures online (articles 7.2, 7.9); apply the form of goods release when there is no decision on customs clearance (Article 7.7); National Single Window (NSW) (article 7.10); apply risk management (clause 7.12); Apply post-clearance audit (article 7.13); apply the Authorized Economic Operator (AEO) mechanism (Article 7.14) and develop customs clearance brokers (Article 7.20).

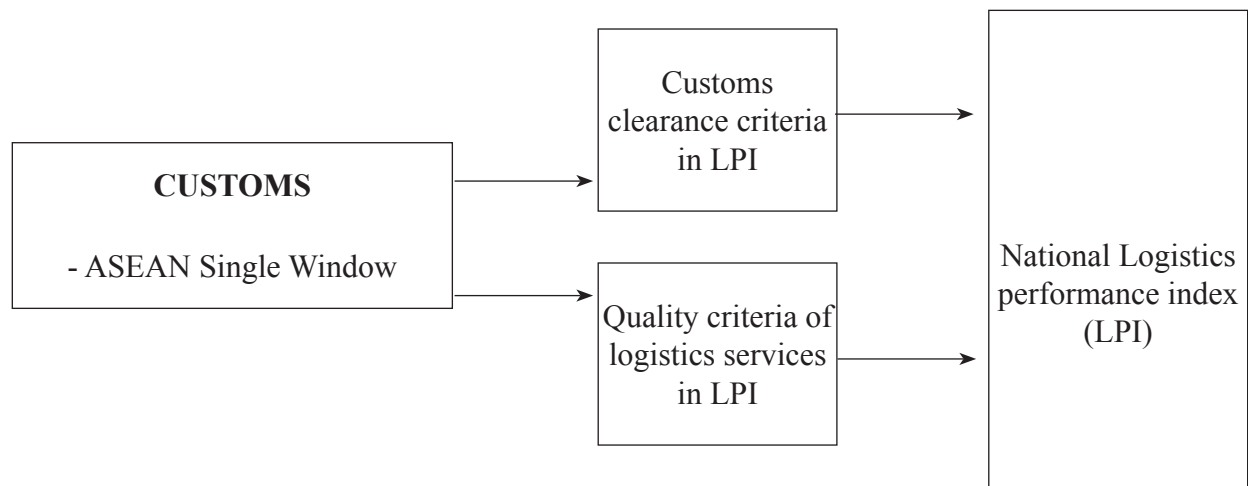
Within the framework of the ASEAN region, member states have agreed to a Protocol on Facilitation of International Trade such as: simplification, harmonization and standardization in trade, processes, customs clearance and related information flows, which raises expectations for lower transaction fees, thus enhancing export competition and ASEAN integration in a single market for goods, services and investment and a unified production platform. (ASEAN Secretariat, 2008; 2015).

Jose Tongzon and Inkyo Cheong (2013) point out that the delay in implementing the NSW plan, the ASEAN Single Window (ASW) in some member countries has caused a delay in the implementation of the plan for e-documents transaction on the NSW system such as: electronic customs declarations, electronic certificates of origin on ASW, thereby affecting the effective implementation of the regional logistics industry. The study also indicates the important conclusion that inefficient customs clearance is one of the fundamental reasons for the continued uncompetitiveness of the logistics industry in most ASEAN member countries, leading to the decline of the logistics industry of regional integration. In addition, Thuy Nguyen et al., (2014) conclude that two important limitations affecting the efficiency of the ASEAN Logistics industry are high costs in transportation and time and financial costs for customs clearance of import and export shipments.

The Ministry of Industry and Trade (2019b) analyzes the need to improve Vietnam's LPI as customs reform because this criterion has the lowest score in the consideration criteria. In addition, the study proposes solutions that need to be improved related to customs, such as controlling the actual inspection time for import and export goods, controlling the time for checking documents, the red channeling rate and the yellow flow of customs documentation,

controlling customs clearance brokers, improving NSW efficiency and reforming specialized border management.

Thus, it is possible to identify the mechanisms of ASEAN Single Window on improving the LPI of the ASEAN region according to the following research framework: Customs authorities carry out functional activities that positively impact on two criteria of customs clearance and logistics service quality through the effective implementation of ASW, thereby improving the LPI index.



Research theoretical framework

3. DESCRIPTIVE STATISTICS OF VARIABLES

Table 1: Descriptive statistics of variables

Unite: Likert-scale 5

Variables		LPI	C	IN	Sh	LS	TR	Tm
N	Observations	56	56	56	56	56	56	56
	Missing	0	0	0	0	0	0	0
Mean		3,00	2.80	2.80	3.01	2.93	3.02	3.41
Median		2,98	2.68	2.66	3.04	2.89	3.10	3.45
Standard deviation		0,55	0.56	0.67	0.51	0.57	0.59	0.52
Min		1,86	1.85	1.69	1.73	2.00	1.57	2.08
Max		4,19	4.18	4.28	4.04	4.22	4.25	4.53

Souce: World Bank

The overall score of the ASEAN LPI index has an average of 3.0 out of 5. Meanwhile, the average value of the clearance criteria (C) and infrastructure criteria (IN) are about 2.8 out of 5, the lowest of 6 criteria. The quality of logistics services has the average of 2.9 out of 5, the third lowest out of 6 criteria. The maximum value of the LPI index (4.19) and the 6 criteria respectively is from Singapore.

The results of Cronbach's Alpha analysis of 6 components of the LPI index are about 0.985. This value is greater than 0.7, ensuring the reliability of the scale for 6 criteria and representing the degree of association of 6 observed variables (criteria) forming the LPI index.

- Exploratory factor analysis (EFA) results

Table 2: KMO measure and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.922
Bartlett's Test of Sphericity	Approx. Chi-Square	636.857
	Df	15
	Sig.	.000

Factor loading factor KMO (Kaiser-Meyer-Olkin) at $0.922 > 0.75$ and sig value. $0.00 < 5\%$ suggests 6 criteria closely relating in factor formation (ensure the required number of observations for 10 countries is 56 observations).

Table 3: Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.609	93.478	93.478	5.609	93.478	93.478
2	.170	2.829	96.307			
3	.101	1.680	97.987			
4	.064	1.059	99.046			
5	.030	.494	99.540			
6	.028	.460	100.000			

Extraction Method: Principal Component Analysis.

The results show that 6 observed variables form a composite factor FT₁. The Eigenvalues=5.6>1 and Variance=93.478% represent the factor formed from 6 criteria explains 93.478% of the variation of the composite factor.

Model analysis results in the matrix of component scores of the composite factor FT₁ as follows:

$$FT_1 = 0,172 C + 0,175 IN + 0,170 Sh + 0,175 LS + 0,174 TR + 0,168 Tm + \varepsilon_i \quad (\text{Model 2})$$

- Model regression results and hypothesis testing:

The linear regression model is presented on the basis of the proposed theoretical model (Model 1). The dependent variable is LPI representing the scores of experts on the LPI index of member countries / scale of 5 (with 56 observations of 10 countries through 6 times published by the World Bank). The independent variables included in the model include: FT₁ is a composite factor of 6 components forming the LPI index; The dummy variable Group takes the value 0 and 1, corresponding to the division into two groups of countries according to the score of the LPI index and the modernization of customs clearance and the quality of logistics services of the member countries.

The model is as follows: $LPI = \beta_0 + \beta_1 FT_1 + \beta_2 \text{Group}$

The expectation is $\beta_1 > 0$ and are statistically significant.

Table 4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	1.000 ^a	1.000	1.000	.0063661	2.364

a. Predictors: (Constant), FT1, Group

b. Dependent Variable: LPI

According to Table 4, the model has no autocorrelation (Durbin-Watson value = 2.364 near value 2) and the independent variables explain 100% of the variation of the LPI. (adjusted R-squared value = 100%).

Table 5: ANOVA

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	16.562	2	8.281	204326.237	.000 ^b
Residual	.002	53	.000		
Total	16.564	55			

a, Dependent Variable: LPI

b, Predictors: (Constant), FT1, Group

The table 5 shows that Sig. =0.00<5%, rejecting H_0 , which means the there is a significant correlation between LPI and independent variables.

Table 6: Regression results

Model	Unstandardized Coefficients	Standardized Coefficients	T	Sig.	Collinearity Statistics		
					Tolerance	VIF	
B	Std, Error	Beta					
	(Constant)	.032***	.006	5.38	.000		
1	Group	.005*	.003	.005	1.92	.060	.44 2.25
	FT ₁	.990***	.002	.997	424.03	.000	.44 2.25

a, Dependent Variable: LPI

*** Sig. <1%; * Sig. from 5% to 10%

The table 6 shows that the multicollinearity does not cause a concern in this model since VIF <10. As such, the estimated regression is as follows:

$$LPI = 0.032 + 0.99FT_1 + 0.003 \text{ Group} + \varepsilon_i \quad (\text{Model 3})$$

Thus, the model for the first group with Group =1 (Singapore, Malaysia, Thailand, Indonesia, Philippines and Vietnam) is:

$$LPI = 0.035 + 0.99FT_1 + \varepsilon_i \quad (\text{Model 3.1})$$

The model for group = 0 (Brunei, Cambodia, Laos, Myanmar):

$$LPI = 0.032 + 0.99FT_1 + \varepsilon_i \quad (\text{Model 3.2})$$

$\alpha_2 = 0.03$ shows that on average, LPI of the first group is 0.003 point higher than the remaining, ceteris paribus.

$\alpha_1 = 0.99$ reveals that on average, when FT1 changes 1 point, LPI will increase by 0.99 point in the likert scale 5, ceteris paribus.

Combined with the component score matrix equation (Model 2), the observed variable Customs clearance (C) and logistics service quality (LS) have a positive impact on FT1 with coefficients 0.172 and 0.175, respectively.

Thus, it is concluded that when there is an improvement in customs clearance and logistics service quality, the LPI index will be improved through the component score matrix equation and linear regression (model 3).

Testing the difference between member countries in LPI: Perform a test to see if there is a difference in the LPI index value between the two groups. Test hypothesis H_0 : there is no difference and hypothesis H_1 : there is a difference in the scores of LPI. The result of p-value = $0.031 < 5\%$ rejects the hypothesis H_0 , suggesting the difference in LPI scores between these groups of countries in ASEAN.

- Challenges for ASEAN Single Window in improving LPI index of ASEAN countries

The need for stronger reform in the Customs factor is not only stated in the Protocols of ASEAN, of the Agreement on International Trade Facilitation of the WTO, but also analyzed and proposed by existing studies. Thuy Nguyen et al. (2014) argue that: "*Customs procedures are a barrier to international trade facilitation and logistics in ASEAN member countries*". Meanwhile, Sanchita Basu Das (2017), which compiles related research and survey reports, shows that: the survey of 246 European companies in 2017 found that 67% of respondents are worried about the burden of customs formalities in ASEAN, hindering the development of their supply chains in the region. A 2015 survey of 5,545 Japanese companies operating in Southeast Asia uncovered that simplified customs clearance was recognized as the highest requirement of trade facilitation measures in the AEC. Regarding US companies, about 50% of the 451 companies from ASEAN are looking forward to reducing transaction costs more and have high expectations for the ASEAN trade facilitation program and customs development.

Table 7: Average score of national LPI index and customs clearance and service quality criteria of 10 ASEAN countries in 6 times published by the World Bank.

Unite: Likert-scale 5

No.	Countries	LPI	C	LS
1	Brunei Darussalam	2.79	2.70	2.64
2	Campuchia	2.59	2.40	2.49
3	Indonesia	2.99	2.65	2.92
4	Lao	2.40	2.26	2.33
5	Malaysia	3.44	3.20	3.38
6	Myanmarr	2.26	2.13	2.19
7	Philippines	2.94	2.68	2.86
8	Singapore	4.09	4.02	4.09
9	Thai Lan	3.31	3.08	3.21
10	Viet nam	3.04	2.79	2.96
	Mean	2.99	2.79	2.90

Source: World Bank

Table 7 shows the average score of the indicators in the six publications of each ASEAN member country. The statistics describing the general average score of the LPI index and the Criteria for Customs clearance and quality of logistics services indicate that: (1) the average score of all three indexes is lower than 3 points/scale of 5 average), suggesting that the ASEAN region's LPI scores are just below the world average; (2) two criteria of customs clearance and quality of logistics services are two of the three criteria with the lowest average scores among the six criteria that make up the region's LPI; (3) the above two indicators are not evenly distributed across countries: Singapore excels and separates with scores of 4.02 and 4.09 out of 5 (high and very high). While Thailand and Malaysia are in the middle and high, Vietnam, Philippines and Indonesia, Brunei Darussalam are in the middle and low. The remaining three countries, Laos, Cambodia and Myanmar are at low levels ranging from 2.13 to 2.4 points/scale of 5 (much lower than Singapore).

Table 8: Cross-border trade statistics of 10 ASEAN countries in 2019

Countries	Cross-border Trade							
	Export time		Export costs		Import time		Import costs	
	Document preparation (hours)	Cross-border compliance (hours)	Document preparation (USD)	Cross-border compliance (USD)	Document preparation (hours)	Document preparation (hours)	Document preparation (hours) (USD)	Cross-border compliance (USD)
Brunei Darussalam	155	117	90	340	132	48	50	395
Cambodia	132	48	100	375	132	8	120	240
Indonesia	61	53	139	254	106	99	164	383
Laos PDR	60	9	235	140	60	11	115	224
Malaysia	10	28	35	213	7	36	60	213
Myanmarr	144	142	140	432	48	230	210	457
Philippines	36	42	53	456	96	120	50	580
Singapore	2	10	37	335	3	33	40	220
Thailand	11	44	97	223	4	50	43	233
Vietnam	50	55	139	290	76	56	183	373

Source: World Bank (2020), Doing Business Report

Table 8 shows the time and cost of customs clearance for import and export goods in the national business environment index (DB). Basically, the data is consistent with the customs clearance scores of the countries in the LPI index. The following observations can be drawn: (i) the time and cost of cross-border trade between countries in the region is still high in the world and uneven (there is a big difference between the three countries of Singapore, Thailand and Malaysia with the rest of the countries); (ii) the time and financial costs for customs compliance at the border are higher than for customs clearance preparation; (iii) Time and financial costs for imports are higher than for exports.

4. POLICY IMPLICATIONS OF IMPLEMENTING ASEAN SINGLE WINDOW TO IMPROVE LPI OF ASEAN MEMBERS

The ASEAN Single Window and the National Single Window were formed from the trade facilitation requirements of ASEAN community and on the basis of the Agreement on the

formulation and implementation of ASW on December 9, 2005 in Malaysia and the Protocol on the Development and Implementation of ASW on December 20, 2006 in Cambodia. Essentially, ASW is an environment in which NSW operate and integrate with each other. In particular, NSW is set up to allow customs declarants to send information and electronic documents to carry out the procedures customs and state management agencies related to import and export goods through an integrated information system. State management agencies decide to allow goods to be imported, exported or transited; Customs authorities decide on customs clearance and release of goods on the integrated information system.

The essence of ASW is to implement e-customs by applying information technology, internet and modern management methods to establish a unified electronic customs clearance system among ASEAN members, strengthen the connection between the countries, connect and share electronic information related to intra-ASEAN trade transactions between ASEAN and partner countries, reform and reduce the time and financial costs of customs clearance for cross-border transactions. In particular, the NSW is the key requirement to receive and respond to information from relevant ministries, sectors and stakeholders as follows: (i) Ministries and sectors involving in the licensing process with import and export goods, goods in transit, means of entry, exit and transit; (ii) Customs authority through electronic clearance; (iii) Carrier, shipping agents, forwarding agents; (iv) banking, real insurance electronic payment; (v) import-export enterprises, customs clearance agents declaring electronically; (vi) other stakeholders such as port authorities and warehouse operators. Sanchita Basu Das (2017) draw the important conclusion that ASW is a way to implement administrative reform in countries. As a member of ASEAN, customs at the border to speed up the clearance of goods and improve the time required for import/export and transparent customs clearance procedures at the border.

However, although there is a roadmap and detailed plan of commitments of member countries, the actual progress is still slow and the efficiency is not high. Jose Tongzon and Inkyo Cheong (2013) argue that ASW, despite its political commitment, is still slow to implement, due to the fact that NSW implementation in countries faces many obstacles. Many countries have not yet been able to electronically connect ministries and many companies still make paper customs declarations. Ponciano INTAL Jr. (2015) point out that 5 countries: Singapore, Thailand, Malaysia, Indonesia and the Philippines have implemented NSW quite well and kept up with the progress (estimated 82/100 points, while other countries are still very slow below 65/100 points in 2014).

It is necessary to have solutions to effectively implement the goals of ASW and NSW by 2020: (i) implement 100% of internal electronic certificates of origin (e/CO); implement 100% electronic declaration system (eManifest), connect with major ports in the region and even in some private jetties; 100% application of electronic customs declaration and sending of electronic documents related to customs (eDeclare), implementation of permits, electronic certification, other forms (ePermit) with ministries, branches and agencies related state management; implement electronic payments through NSW. Thus, important solutions need to be used, such as: internalization and legal document system, a master plan to implement ASW and NSW in accordance with the committed Protocol; there needs to be a strong determination about political commitment from the governments of member countries to mobilize financial, human and technological resources to

fulfill the commitments; needs for technical assistance on ASW and NSW from the World Customs Organization (WCO), ASEAN Customs and international financial institutions (WB, ADB, IMF); have periodic monitoring and evaluation as well as plans to support and sanction ASEAN's Customs-related Technical Committee for member countries that are slow to implement.

5. POLICY IMPLICATIONS OF IMPLEMENTING ASEAN SINGLE WINDOW TO IMPROVE LPI OF VIETNAM

To improve Vietnam's LPI in the 2021-2025 period, raising it to the range of 5-10 levels, actively contributing to the improvement of business environment, cutting costs, and enhancing competitiveness in service provision (Ministry of Industry and Trade, 2019a), It is necessary to implement the following solutions:

Firstly, the Ministry of Finance and the General Department of Vietnam Customs should prepare necessary conditions to effectively implement the content: Decree No. 85/2019/ND-CP of the government, dated November 14, 2019, regulating the implementation, administrative procedures following National Single Window, ASEAN Single Window and specialized inspection for imported and exported goods; Decision No. 1254/2018/QĐ-TTg of the Prime Minister, September 26, 2018 approving the action plan to promote NSW and ASW, reforming of specialized inspection for goods for export, import and trade facilitation in the period 2018 - 2020 and the decision to amend and supplement Decision No. 1254/2018/QĐ-TTg. On that basis, it is necessary to implement level 4 online public administrative procedures through NSW with a focus such as: Implement all administrative procedures for exported, imported and transited goods; people and means of transport leaving, entering and transiting through NSW thereby improving the clearance time of international transport vehicles; Continuing to hold the same position as the group of 4 leading countries in the ASEAN region in terms of clearance time and release of goods, people and vehicles related to single-window administrative procedures; 100% of administrative procedures in NSW are collected fees and charges electronically by 2020.

Implement the Master Plan on developing information technology systems for NSW and ASW deployment in the direction of centralized processing, coordinating with relevant units to prepare technical conditions to be ready for exchange electronic ASEAN customs declarations (for Indonesia and Thailand) and phytosanitary certificates (for Indonesia), further official connection with the Philippines and improvement of exchanging of origin certificates. import and export goods with ASEAN member countries.

Secondly, in the specialized inspection of import and export goods, it is necessary to focus on developing and effectively implementing the Project on reforming specialized inspection in the direction of assigning the customs office to be the focal point to carry out the inspection. specialized agencies at the border gate (except for items related to security, defense, quarantine...), the specialized management ministry shall carry out post-inspection. In addition, it is necessary to review the system of legal documents to define the functions and tasks for the customs authority to perform unified specialized management at the border gate; review and abolish and simplify unnecessary administrative procedures; carry out risk assessment, gradually change from pre-inspection at border gates to post-inspection; have a mechanism for coordination, recognition of quality certification and specialized inspection of goods between countries that have trade agreements with Vietnam.

CONCLUSION

In the context of regional and global economic integration, creating favorable conditions for trade and investment is inevitable not only for the ASEAN region but also for most countries in the world. On the basis of the selected research objectives and methods, the study found a positive relationship between the two criteria of customs clearance and the quality of logistics services with the LPI index. Thereby, the study analyzed and pointed out that the ASEAN Single Window (ASW) has a positive impact on two criteria of customs clearance and quality of logistics services in order to improve the national capacity in logistics of 10 members of ASEAN. The study also proposed a group of common solutions for ASEAN member countries and a group of solutions for Vietnam. However, due to the wide scope of research, the in-depth analysis of the LPI of each country is still limited. These contents will be further studied by the author in the near future.

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APPLICATION OF PUBLIC ACCOUNTING STANDARDS TO ACCOUNTING OF FIXED ASSETS IN PUBLIC NON-BUSINESS UNITS IN VIETNAM

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Abstract: *In the context of renovating the operation of public non-business units as orientation of improving the quality and efficiency of public service supply, a lot of mechanisms and policies need to be improved, including Accounting, an effective financial management tool. Fixed assets are one of the key sources in the public non-business unit and there are certainly many changes in this time. Therefore, with this article, the authors want to emphasize that it is definitely necessary to apply the principles of public accounting standards to the accounting of fixed assets in public non-business units in Vietnam, which defines more clearly the position and role of accountants in financial management in general and in asset management in particular in order to adapt to new requirements.*

Requirements in the management, usage, calculation of depreciation and amortization of fixed assets when public non-business units promote transformation of operating models towards improving quality and efficiency.

Firstly, in the past, most of activities in public non-business units in Vietnam have been performing political tasks, ensuring social security with operating funds guaranteed by the state budget. Therefore, most of the assets in public non-business units are formed from the state budget. Besides, monitoring the increase and decrease of these assets, accountants also monitor, calculate and account the depreciation instead of amortization of fixed assets is also a matter of concern and is considered relatively simple for the accountant at the entity. However, since the self-control mechanism, especially financial autonomy at the units was promulgated, implemented more and more widely in reality, the activities of public non-business units have been much more diversified, which can be divided into main activities such as administrative, production and business activities and service provision, capital construction investment activities, financial activities and other activities. Therefore, fixed assets in public non-business units are formed not only from the state budget but also from various sources such as the unit fund, business capital, loan capital, capital contribution, joint venture, association, etc. Therefore, accounting for fixed assets needs to be adjusted to fit the diversity of these activities. Along with that, an important content of the autonomy mechanism is the price mechanism for public administrative services. According to the roadmap for calculating public administrative service prices, one of the factors that will be included in the service price structure is the cost of depreciation of fixed assets. This

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is the last factor included in the roadmap, not only because of its great impact on service prices, but also because of the complexity when depreciating fixed assets in the public non-business units. Therefore, this is also a problem that accounting for fixed assets needs to complete.

Secondly, in the past, public service provision at public non-business units could be considered a unique feature in Vietnam, which was separated from production, business and service provision in the private sector. Multiplied with the view that all revenues from this activity are included in the state budget revenue stream in the form of fees and charges. Now, with the amendment of the State Budget Law, the Law on Fees and Charges, separating this non-business revenue source from the list of fees - fees and state budget revenues, this activity has had a large asymmetry with the private sector. Therefore, the mechanism of management and accounting of fixed assets in public non-business units also needs to be shortened, together with eliminating the gap between these two public and private sectors.

Thirdly, the process of renovating the operation mechanism of public non-business units to improve the quality and efficiency of service provision has led to many expanded activities such as capital contribution, joint venture investment, association, public cooperation, and transformation of forms of units in further, etc. Then, agencies will have to determine their own entire value of the state's capital, which represents most of the state's property value at public non-business units. Especially, in case the ownership is owned by the entity as the representative of the state's capital in the unit, they must be responsible for preserving and developing this capital, along with clearly defining the functions, responsibilities, duties of each department to preserve and develop state capital at the unit. The task of the accountant will be reflecting and providing clear information about the value of equity and the change of equity at the entity during the operation as well as the implementation of the mechanism.

Some current differences between accounting for fixed assets at public non-business and public accounting standards¹

Firstly, regarding the scope of fixed assets regulation

Basically, the scope of regulations on fixed assets in public non-business units in Vietnam according to Circular 45/2018/TT-BTC is relatively consistent with international public accounting standards in general and public accounting standards in Vietnam. private. However, regarding items such as spare parts, backup equipment and maintenance equipment of fixed assets or individual assets will constitute an item of real estate, plant, and equipment. The recognition of these items is specified in IPSAS & VPSAS as follows: "Items such as spare parts, backup equipment and maintenance equipment are recognized in accordance with this standard if they meet the requirements of the standards for the recognition of property, plant, and equipment. If the definition and recognition criteria for real estate, plant, and equipment are not met, these items are classified as inventory. This standard does not set for the identification of the individual assets constituting an item of real estate, plant and equipment upon recognition.

¹ The authors make a simultaneous comparison between IPSAS - international public accounting standard, VPSAS - Vietnamese public accounting standard and documents related to fixed asset accounting at public non-business unit:

(1) Circular 45/2018/TT-BTC stipulating the management, use and calculation of depreciation and amortization of fixed assets in state agencies and public non-business units.

(2) Circular 107/2017/TT-BTC guiding the administrative and non-business accounting regime.

Therefore, it is necessary for an entity to evaluate the application of the asset recognition criteria in particular case. An entity may recognize the total value of single assets that are not highly valued, such as library books, computer accessories, and small appliances, rather than recognizing individual assets". However, in Circular 45/2018/TT-BTC, there are no separate guidelines for asset recognition in these cases.

Secondly, regarding the standards and conditions for recognition of fixed assets

In both public accounting standards and Circular 45/2018/TT-BTC, there are standards on usage time, but if IPSAS and VPSAS give opinions on the possibility of obtaining economic benefits and potential service from assets in future, the current accounting of fixed assets in Vietnam has not mentioned this issue. On the other hand, if IPSAS & VPSAS only show requirements on the reliability of the value of fixed assets (according to initial cost or fair value), then according to Circular 45/2018/TTB, the value of fixed assets is clearly specified from 10 million VND or above (excluding specific assets valued at 5 million VND or above) and have not paid attention to the use of fair value to recognize fixed assets.

This is a big difference between the public sector and the corporate sector in Vietnam, creating many practical problems when the unit determines the object of deduction or not to depreciate fixed assets. The regulation of the initial cost of fixed assets of 10 million VND or above will lead to management of assets, work of depreciation as well as reports which manage that fixed asset, will be cumbersome because the depreciation for periods with the value of small fixed assets is not necessary. Public non-business units must keep track of 2 detailed books of fixed assets according to 2 different standards to calculate depreciation and amortization, in particular, fixed assets with initial cost from VND 30,000,000 used for production and business activities, depreciation must be calculated as enterprises in accordance to current regulations, and keep track of the detailed books of fixed assets according to current regulations (for fixed assets with initial cost of VND 10,000,000 or above) at the same time. This leads to a waste of money of the State in the management of fixed assets, waste of accounting and management human resources.

Thirdly, regarding determining the initial recognition value

In Article 7, Circular No. 45/2018/TT-BTC, regulations on recording the initial value of primary fixed assets cost are determined almost similarly to IPSAS. Particularly, the initial fixed assets cost formed from investment, including the costs of preparation, ground reinforcement, etc., are recorded (as Clause 2, Article 7, Circular No. 45/2018/TT-BTC and Article 3, Clause 3, Article 4, Circular No. 10/2020/TT-BTC dated February 20, 2020). However, according to IPSAS & VPSAS, the component of the initial cost includes the present value of the cost of dismantling, moving, and restoring the site after finishing using property, in Vietnam, the costs included in the initial cost of the asset are only counted when the fixed asset is used.

Fourthly, regarding depreciation and amortization of fixed assets

Like IPSAS, VPSAS and Vietnam's depreciation and amortization management regime states that all fixed assets must be depreciated. Depreciation and depreciation expenses are included in expenses and income in a period. However, compared to IPSAS & VPSAS, the regulations on depreciation and amortization at public non-business units in current time also have some differences, including:

- Assets still calculate depreciation, amortization normally when the recoverable liquidation value of that asset is higher than its residual value, while this case stops calculating depreciation until when the recoverable liquidation value of the asset is equal to its residual value in IPSAS & VPSAS;

- In case of calculating the depreciation of fixed assets that have just been put into use in the last days of the year or in only a few months, the depreciation will still be sufficient for the first year of recording the increase of that asset. This is not suitable with the accrual basis principle.

- In the regulations of fixed asset accounting in public non-business units in Vietnam, there is a difference in the categories of "depreciation" and "amortization" of fixed assets. "Depreciation" is only used in non-business units are autonomous in terms of recurrent and investment expenditures, non-business units are subject to full depreciation in service prices, public non-business units are allowed to use fixed assets in their business activities, leasing, etc. which do not form a new legal entity. Fixed assets in the rest public non-business units are subject to depreciation.

Besides, although there are different methods of depreciation of fixed assets depending on the characteristics of the unit's field of operation, depending on the nature and function of the asset, this is clearly specified in IPSAS and VPSAS. However, according to regulations in the current mechanism of management, use and calculation of depreciation and amortization of fixed assets in the public sector in Vietnam, public non-business units use only the straight-line method to depreciate assets depreciation in their unit. This is a big limitation for public non-business units operating in non-business fields that are greatly affected by scientific and technological advances, and need to be applied more appropriate depreciation methods such as declining balance depreciation or amortization according to output.

Fifthly, regarding the residual value of fixed assets formed from the state budget is reflected in account 36611, which is belonging to the group of accounts payable. However, the nature of the operation of the State handing over fixed assets or providing funding for the public non - business units to buy assets is the form that the State allocating capital to the entity, resulting in the value of the fixed assets increasing the owner's equity, which is not a liability. Because if this is considered as a payable, when it is paid off and this payable is settlement, will the State's capital and the entities' responsibilities still exist?

Some recommendations to apply public accounting standards to accounting for fixed assets in public non-business units

It can be seen that most of the contents in the public accounting standards for assets have been reflected in the current regulations on accounting for fixed assets in public non - business units in Vietnam. However, in order to eliminate some of the differences as analyzed above and meet the new development trends of public non-business units in the future, it is necessary to apply the following contents:

- *Regarding the time of recognition*: at present, determining the time to recognize fixed assets in some cases is still quite difficult (even though they have been put into use), typically fixed assets which are created from many sources (especially sources of socialization), fixed assets in programs, projects, assets which are built, transferred and put into use, or many items have been put into use but

have not been handed over and settled, etc. Therefore, to overcome this ambiguity, it is necessary to uniformly regulate the time and conditions for recognition of fixed assets: Tangible fixed assets must be recognized when the entity considers it likely to receive economic benefits in the future or potential services from the asset, and the initial cost or fair value of the asset can be reliably measured.

- *Regarding the initial recognition value*: there should not be a hard regulation on the amount to be recognized for the value of fixed assets, as well as the need to remove the difference in the conditions for recognizing fixed assets in the public and private sectors in order to create equality between public service providers serving the people, convenience in the process of management and control

- *Regarding asset depreciation*: the method of depreciation, the useful life of each fixed asset depends a lot on the type and operation characteristics of each public non-business unit. Therefore, these contents should not be rigidly regulated, but should be left to the unit to be freely chosen and disclosed in its accounting policy.

- *Regarding fixed asset accounting*: it is necessary to agree on the appropriate method of recording fixed assets formed from different sources, and at the same time, reflect the residual value of fixed assets, especially fixed assets formed from the state budget on an account of net assets/equity instead of the current account of liabilities to ensure the assignment of fixed assets by the State to public non-business units is a form of equity allocation and also a manifestation of responsibility in preservation and growth of State ownership capital in the units.

CONCLUSION

In the context of renovating the operation of public non-business units in the direction of improving the quality and efficiency of public service delivery, a series of mechanisms and policies need to be improved, including accounting - a powerful financial management tool. Fixed assets are one of the key resources in the public non-business units and there is certainly a lot of movement in this context. Therefore, the application of principles in public accounting standards to the accounting of fixed assets in public non-business units in Vietnam is really necessary to further affirm the position and role of accountants. accounting in financial management in general, and in asset management in particular in order to adapt to new requirements.

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CORPORATE TAX POLICY AND GROWTH OF SMES IN VIET NAM - SOME POLICY RECOMMENDATIONS

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Abstract: *SMEs have been considered as the driving force of Viet Nam's economy. However, the biggest problem of SMEs is limited capital, which reduces the competitiveness of these businesses. The Vietnamese Government has implemented many CIT incentives such as tax reduction, exemptions and extension of tax payment time in order to create conditions for SMEs to expand their production and business activities. Beside the benefits, there is still a lot of drawbacks relating to the form of incentives, the reasonable tax rate as well as the administrative procedures during implementing the policy. Based on the analysis, the author has proposed some appropriate policy recommendations with purpose of enhancing the effectiveness of CIT policy in the future.*

Keywords: *SMEs, corporate tax, tax incentives, R&D, CIT.*

1. INTRODUCTION

In Vietnam, SMEs have been considered as the driving force of economic development. On average, in the period 2011-2019, SMEs accounted for 97% of enterprises in Vietnam. In which, the number of micro enterprises always accounts for about two thirds of the number of enterprises and nearly one third of the total number of small enterprises. With the characteristics of a developing country, total social resources are still limited, the dependence of economic development in Vietnam on SMEs is a perfectly reasonable step and suitable for the current context. Statistics from the Ministry of Planning and Investment in 2019 show that this business sector has contributed about 45% to GDP, 31% of total state budget revenue and created jobs for over 5 million workers.

The biggest problem of SMEs is limited capital, which reduces the competitiveness of these businesses. Enterprises, therefore, do not have enough conditions to improve product quality, renew equipment, expand production and business scale, and hinder their creativity and innovation ability. All these limitations have prevented businesses from promoting their advantages and thus have not contributed to their full potential to the economy.

From the above issues, it is shown that supporting well-functioning SMEs will promote stable growth and deeper integration into the world economy. Therefore, since 2011 until now, the Government has taken many measures to help businesses in this area, especially support relating to corporate income tax (CIT). The Government has implemented many CIT incentives such as tax

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reduction, exemptions, and extension of tax payment time to create conditions for SMEs to have resources to expand production and business activities. This can be seen through the continuous development of this business sector in the economy in terms of quantity, scale, and quality of operations. However, there are still many conflicting opinions about the effectiveness of these policies on the activities of SMEs. To find out the preferential CIT policies for the development of SMEs, research was conducted to clarify this issue and give some policy suggestions to improve the policies in the coming time.

The study is conducted with the purpose of:

- Finding out the incentives of CIT for SMEs in VietNam
- The growth of SMEs during the application of the preferential CIT policies
- Proposing some policy suggestions to overcome the limitations and enhance the efficiency of CIT policies for SMEs.

2. LITERATURE REVIEW

Duanjie Chen, Franck Lee and Jack M. Mintz (2002) discusses the implications of tax policy for the growth of entrepreneurship and small and medium-sized enterprises (SMEs). According to the authors, some existing features of OECD tax systems are biased against entrepreneurs and small firms. For instance, double taxation of distributed corporate profits can discourage incorporation of small firms while it can also favour debt over equity financing, the latter most required by SMEs. Conversely, a number of OECD countries have features in their tax systems that favour selfemployed individuals and SMEs to encourage growth. These include lower corporate income tax rates, exemptions from value-added taxes and investment tax credits. It is, however, not clear that the benefits of preferential tax treatment of self-employed individuals and SMEs outweigh the costs of moving away from tax neutrality. There are a number of areas where OECD governments can improve the tax climate for small firms and entrepreneurs. These countries can lower taxes on income earned by entrepreneurs (capital gains, dividends, and other income), which may discourage entrepreneurs, and remove the tax bias favouring longer-term assets, which can hinder the reallocation of capital towards start-ups. More liberal provisions for carrying-forward losses in corporate income tax would assist startups which take more time to become profitable. Governments also need to continue efforts to minimise tax compliance and administrative costs, which are especially burdensome for small firms.

Nam and Radulescu (2005) carried out a research based on the present value model. This study argues that discrete investment choices of profit-maximising SMEs are dependent on the post-tax net present value (NPV). Without taxation, NPV is equal to the present value of future gross return, discounted at an appropriate interest rate less investment cost. After the introduction of tax on corporate income, the present value of the asset generated from an investment amount to the sum of present value of net return (gross return less taxes) and tax savings led by an incentive depreciation provision. An investment project is considered to be profitable when NPV is positive. Only in an exceptional case when tax depreciation corresponds to Samuelson's true economic depreciation and its calculation is based on current replacement cost of capital is the tax neutrality guaranteed in

an inflationary phase. The superior features of such a dynamic investment decision model include, for example, that (1) one can adequately consider the development of gross return generated by an investment, (2) the true economic depreciation rate is not simply assumed but endogenously derived from the trend of gross return, (3) the impacts of adopting different accounting methods of tax depreciation can be well illustrated when inflation prevails, and (4) firms most widely apply this method in practice, especially when carrying out the so-called feasibility study for checking overall profitability of investment projects.

Nam and Radulescu (2006) did research about "Effects of Corporate Tax Reforms on SMEs' Investment Decisions under the Particular Consideration of Inflation". For the selected six EU countries this study examines under the consideration of inflation the effects of corporate tax reforms on SMEs' investment decisions implemented since the beginning of the 1980s. By and large corporate tax reforms carried out in the investigated countries have entailed lower statutory tax rates accompanied by a reduction in generous tax depreciation provisions.

Anh Pham (2020) used a quasi-experimental design and panel data from 2004 to 2014 to estimate how temporary 30% corporate income tax cuts affected firm investment, employment, profits, and tax revenue during the Global Financial Crisis in Vietnam. The author has found that investment increased during the policy year and came back to its pre-policy level after the policy ended. The evidence does not suggest there were any significant changes in employment. Reported profits of eligible foreign-owned firms doubled in the policy year and remained high after the policy ended. He also found no evidence that profits of foreign-owned firms increased because of changes in labor or capital. Instead, multinational firms likely shifted reported profits to take advantage of the tax policy. Tax payments by foreign-owned firms increased, while those by domestic firms decreased.

3. METHODOLOGY AND DATA

The study synthesizes and analyzes the previous studies about corporate tax supporting SMEs in the world. Based on the Keynes theory as well as neoclassical economic theory, particular acceleration theory, the research analyzes the effect of tax on enterprises' activities, mainly through enterprises' investment. The preferential CIT policies help firms increase their retained capital for reinvestment to expand production and business activities. Additionally, the reforms in administrative procedures help reduce compliance costs for businesses. Therefore, businesses will get more capital for businesses.

The gained results are a basis to build the analysis framework of Vietnamese corporate tax for SMEs. The study also uses the statistical analysis method. Based on secondary statistics, the paper will evaluate the development situation of SMEs in the research period. Then, corporate tax policy and tax incentives for SMEs are brought to discuss thoroughly. Finally, some evaluation about the efficiency of the policies is made and some policy recommendations are proposed.

The data is secondary collected from GSO and Ministry of Planning and Investment for the period of 2011-2019.

4. CORPORATE TAX FOR SMES AND THE GROWTH OF SMES IN VIET NAM

4.1. Corporate tax for SMEs in Viet Nam

Incentives of CIT rate

Most CIT adjustments are tax rate adjustments. Currently, there are no specific regulations on tax rates for SMEs, but the government has specific preferential regulations for SMEs from time to time to overcome difficulties and promote the development of these enterprises.

Before July 1, 2013, the general applied CIT rate was 25%. There were some special incentives for SMEs. In which, SMEs were entitled to a 30% reduction in CIT. The implementation of this incentive for SMEs has made an important contribution to helping businesses stabilize production and business activities, especially in the period after the 2008-2009 global financial crisis. Most of the difficult businesses can return to production and thus solve the problem of employment for workers.

In addition to tax exemption and reduction, the CIT Law dated June 19, 2013, stipulated those enterprises with a total annual revenue of 20 billion VND or less would be applied 20%, while the general tax rate is 22%. This incentive rate was applied during the period from July 1, 2013, to the end of 2015. In addition, in the period 2012-2014, due to the difficult economic situation, the Government proposed several resolutions to supplement additional incentives on tax payment extension for some groups of businesses.

Since 2016, there hasn't been any specific preferential policy for SMEs when all enterprises pay CIT at the same general tax rate of 20%.

The Law on Support for SMEs 04/2017/QH14 in 2017 was approved, stipulating that SMEs can apply for a period of lower CIT rates than usual. Some tax incentives for SMEs include enterprises with a total annual revenue of less than 3 billion VND and the average number of employees participating in social insurance of no more than 10 people a year will only have to pay 15% of revenue for CIT. For enterprises with an average annual number of employees of 100 or less, combined with the condition that the total annual revenue is between VND 3 billion and VND 50 billion, the tax rate of 17% will apply. Newly established small businesses and micro enterprises from business households are granted an income tax exemption for 2 consecutives. However, until now, a separated CIT law hasn't been enacted.

In addition to the above incentives, the CIT law also applies preferential tax rates or tax exemption or reduction from time to time in certain areas. Including the preferential tax rate of 10% for a period of 15 years; preferential tax rate of 10% during the operation period; tax rate of 15%; preferential tax rate of 20% for a period of 10 years; preferential tax rate of 20% during the operation period; tax exemption for 4 years, 50% reduction of payable tax for the next 9 years; tax exemption for 4 years, 50% reduction of payable tax for the next 5 years; Tax exemption for 2 years and 50% reduction of tax payable for the next 4 years. Each incentive is provided to businesses that meet specific conditions.

Policies reducing the tax base

Accelerated depreciation

Enterprises operating with high economic efficiency or demonstrating efficient use of fixed assets are allowed to apply accelerated depreciation but not more than twice the depreciation rate determined by the straight-line method. Therefore, enterprises can have enough capital to quickly innovate technology for a few fixed assets.

In order to make quick depreciation deductions, enterprises must make a profit. In case the enterprise depreciates quickly more than twice the rate specified in the time frame for using fixed assets, the deduction more than the accelerated depreciation rate shall not be included in reasonable expenses when calculating income tax in the period.

Tax losses carry back (Carry forward)

According to Law No. 32/2013/QH13 amending and supplementing a number of articles of the Law on CIT, adding provisions for loss transfer between quarters and years. Enterprises are allowed to temporarily transfer losses into income (taxable income minus tax-free income) of subsequent years. The period of loss transfer shall not exceed 5 years, counting from the year following the year in which the loss is incurred.

Thus, SMEs that suffered losses in previous years can allocate those losses to subsequent years to reduce taxable income and reduce the payable CIT amount. Thus, enterprises can overcome difficult periods and have capital to restructure enterprises to continue carrying out production and business activities.

Regulations on eligible expenses

The 2013 CIT Law stipulates those valid expenses are deducted in favor of enterprises, helping to reduce taxable income, taxable income, payable CIT, and increase after-tax profit. Enterprises can expand capital for reinvestment activities. Enterprises are entitled to deduct all actual expenses incurred in connection with their production and business activities as soon as they have full legal invoices and documents. In addition, the costs related to the loss, damaged goods will be included in the deductible expenses.

Tax exemption

SMEs with incomes that meet the conditions will be exempt or enjoy tax incentives. This policy is applied to encourage enterprises to invest in several industries, areas with special difficulties, and sources of income from specific investment activities. These incomes include one in the field of agriculture, scientific research and technological development, social improvement, joint ventures with foreign countries and environmental issues.

Regulations on setting up science and technology development funds

Law 32/2013/QH13 Amending and Supplementing Law on CIT stipulates: Enterprises are allowed to set up science and technology funds from pre-tax income. The maximum amount of funds that can be set aside is 10% of taxable income. This fund is used to invest and spend in order to enhance the potential of science and technology for enterprises, contributing to improving

efficiency and competitiveness. The appropriation of this fund will reduce taxable income, helping to lower the burden of CIT payable. This regulation demonstrates Vietnam's determination to pursue science and technology development policy.

4.2. The growth of SMEs in Viet Nam

According to the statistics of the General Statistics Office, by the end of 2019, the whole country has had 668,505 operating enterprises with production and business results. Of which, only 43.0% of business enterprises made profits, equivalent to 287,457 enterprises, and up to 48.8% or 326,230 enterprises made losses. The rest 8.2% of operating enterprises (54,818 enterprises) broke even.

Micro and small-scale enterprises account for the highest proportion of the total number of enterprises in Vietnam. As of December 31, 2019, there were 449,031 micro-sized enterprises, accounting for 67.2% of the number of enterprises nationwide, an increase of 10% compared to the same period in 2018; 179,319 small-scale enterprises, accounting for 26.8%, up 8.6%; there are 22,788 medium-sized enterprises (3.4%); and 17,367 large-scale enterprises, equals to 2.6%.

On average for the whole period 2016-2019, the number of micro enterprises was 390,539, an increase of 62.8% compared to the period 2011-2015; small enterprises are 159,003 enterprises (41.4% more than the average 2011-2015); the number of medium enterprises is 20,398 (equivalent to 149.5% of the average enterprises of the same size in the period 2011-2015); while there were only 16,384 large enterprises, up 37.5% compared to 2011-2015. So basically, in the period 2016-2019, due to stable macro conditions, the number of enterprises of all sizes has had high growth, in which the fastest growth belongs to micro enterprises.

On average, for the whole period 2016-2019, micro enterprises still account for the highest proportion (approximately 67%); about 27% are small businesses; medium enterprises 3.5%; only 2.8% are large enterprises.

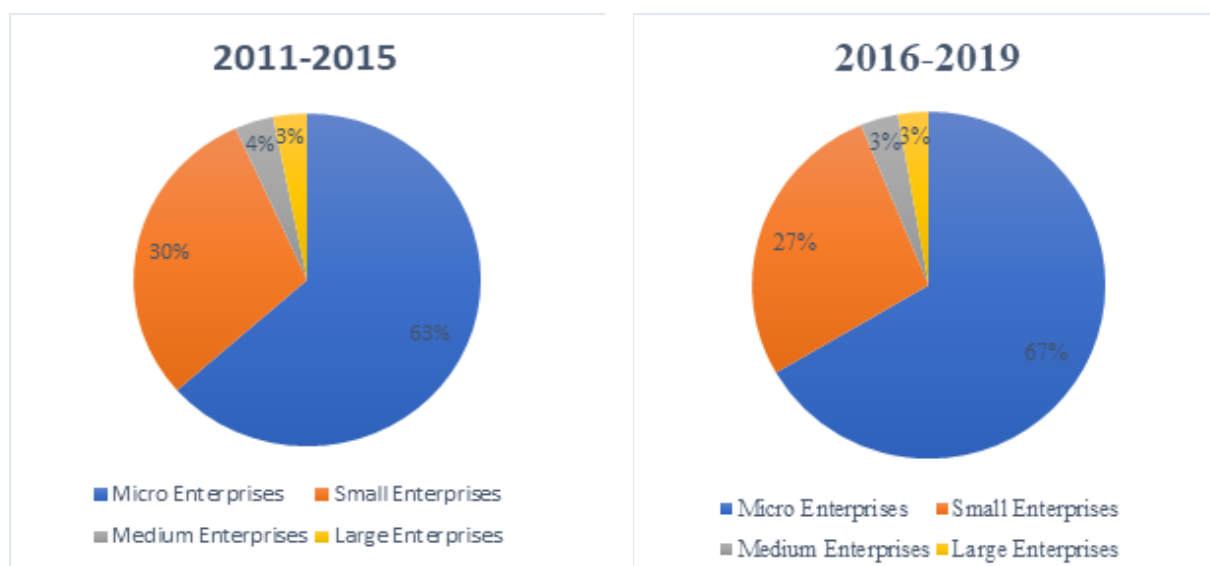


Figure 1.1: Share of enterprises by size in the period 2011-2015 and 2016-2019

Source: Vietnam White Paper 2021

Source of capital for production and business of enterprises

By the end of 2019, the total capital used for production and business of all operating enterprises was VND 43.3 million billion, mainly in the service sector (accounting for 65.7%); 59.8% of that capital is from non-state enterprises. By business size, 66.6% of capital is from large enterprises, equivalent to 28.8 million billion VND; micro and small enterprises attracted USD 11.3 million billion for production and business, accounting for 26.0%, medium-sized enterprises had a capital of VND 3.2 million billion, equaling to 7.4%.

On average, in the period 2016-2019, each year of operating enterprises attracted 35.8 million billion VND of capital for production and business, an average increase of 90.3% compared to the average capital of the period 2011-2015.

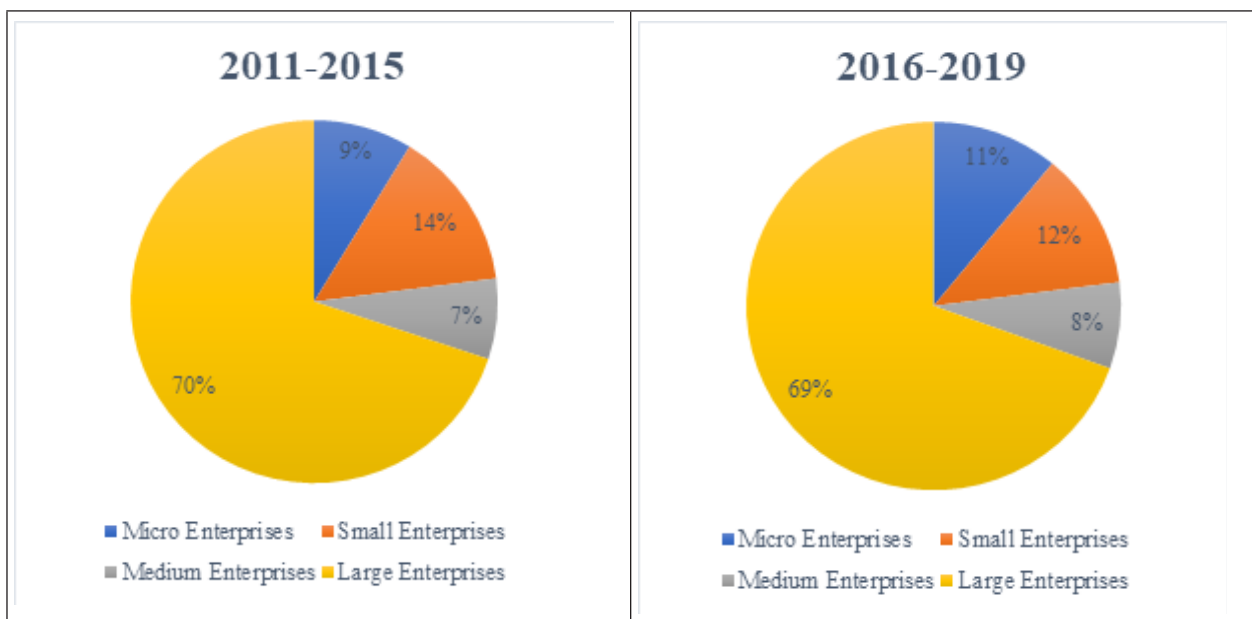


Figure 1.2: Average proportion of capital by enterprise size in the period 2011-2015 and 2016-2019

Source: Vietnam White Paper 2021

Specifically, on average in the 2016-2019 period compared to the 2011-2015 period, large enterprises attracted VND 24.9 million billion for production and business, accounting for 69.5%, up 89.3%; medium enterprises had 2.7 million billion VND, accounting for 7.6%, up 99.6%; the small business sector's capital was 4.3 million billion VND, equivalent to 12.0%, up 60.0%; micro enterprises with a large number but only attracted 3.9 million billion VND, accounting for 10.9%, up 140.0%.

Net Revenue

By the end of 2019, the total net revenue of the entire operating business sector in 2019 reached more than VND 26.3 million billion, mainly from the industry-construction sector and service enterprises (50.0% and 49.4% respectively).

Large enterprises of large-scale account for most of the revenue of all enterprises. In 2019, businesses in this area reached VND 19.1 million billion, equivalent to 72.5%; while small-scale enterprises had net revenue of 3.9 million billion VND, accounting for 14.9%; medium-sized

enterprises only reached 2.6 million billion VND (accounting for 9.9%); micro enterprises achieved the lowest net revenue with 715.9 trillion VND (accounting for 2.7%).

(Unit: trillion VND)



Figure 1.3: Net revenue of SMEs in Vietnam for the period 2011-2015 and 2016-2019

Source: Vietnam White Paper 2021

Average comparison of the whole period 2016-2019 compared to 2011-2015

Large-scale enterprises generate the highest net revenue in the entire enterprise sector of the country. On average, in the period 2016-2019, this sector generates 15.8 million billion VND in revenue, accounting for 72% revenue of the entire business sector, an increase of 85.6% compared to the average period of 2011-2015; medium-sized enterprises generated VND 2.2 million billion, equivalent to 9.9%, up 85.6%; small-scale enterprises generated nearly 3.4 million billion VND, accounting for 15.2%, up 46.5%; while micro enterprises contributed the lowest proportion of total net revenue of the entire enterprise sector with VND 638.5 trillion (2.9%), 48.4% higher.

Profit before tax of operating enterprises

In 2019, the total profit before tax of the corporate sector reached VND 889.9 trillion, down 0.5% compared to 2018. There were 43% of enterprises operating profitably and 48.8% of enterprises unprofitable. Compared to 2018, the proportion of profitable businesses decreased, and the rate of loss-making businesses increased. In which, the profit of SMEs tends to decrease compared to 2018, specifically, the medium-sized business sector generated VND 27.1 trillion, down 3.5% compared to 2018; the small and micro enterprises sector suffered losses (small enterprises lost 3.4 trillion VND; micro enterprises lost 71.3 trillion VND). The profit share of large-scale enterprises was 937.4 trillion VND, up 1.7%.

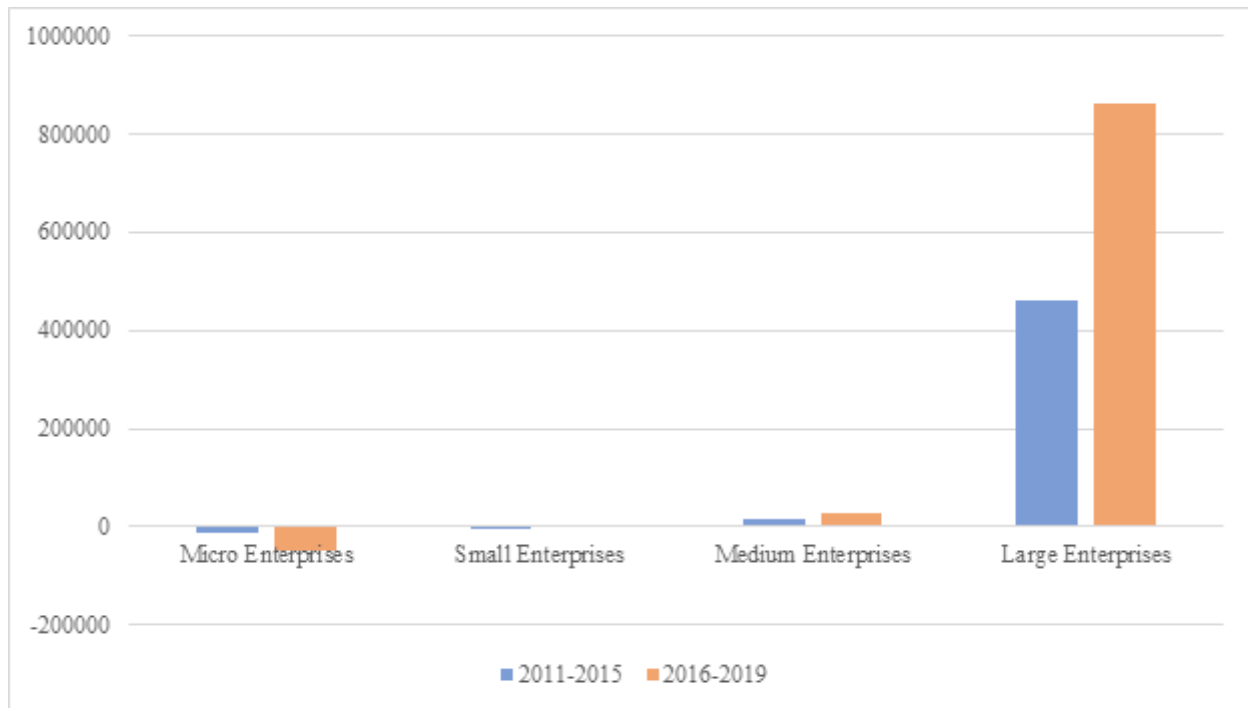


Figure 1.4: Average profit of enterprises by size in the period 2011-2015 and period 2016-2019

Source: Vietnam White Paper 2021

On average, in the period 2016-2019, each year operating businesses generate 843.5 trillion VND in pre-tax profit, an increase of 84.1% compared to the average profit earned the 2011-2015 period. In which, large-scale enterprises in the period 2016-2019 generated an average of 860.8 trillion VND in pre-tax profit each year, up 87.5%; medium-sized enterprises generated 29.6 trillion VND (85.1% higher); small-scale enterprises generate 1.5 trillion VND (in the period 2011-2015, enterprises in this area lost 3.0 trillion VND per year); micro enterprises lost 48.5 trillion VND (increasing their loss by 34.5 trillion VND compared to 2011-2015).

5. DISCUSSION AND POLICY RECOMENDATIONS

5.1. Discussion

Achivements

Firstly, businesses are supported with tax-free incomes along with tax incentives for businesses to invest in regions and industries encouraged by the Government.

Secondly, implementing tax incentives for businesses with an annual turnover of not more than 20 billion VND helps SMEs have more capital to expand production scale and realize business goals. With the regulation that SMEs are entitled to apply a tax rate of 3% lower than the CIT rate specified in the CIT Law, micro enterprises enjoy a lower tax rate of 5%. According to the General Department of Taxation, about 216,000 SMEs would immediately benefit from this regulation. The reduced tax portion helps businesses increase their equity % and thus the size of the business (estimated to increase by 0.3%). The increase in equity would be a premise for businesses to invest in expansion, increase total assets, and increase the scale of operations. Therefore, it contributes to

the growth and capital accumulation process of the business. This will be the foundation for future revenue expansion.

The reduction of tax payable helps SMEs save capital/interest costs (estimated by the General Department of Taxation at 516.8 billion VND/year). This is an opportunity to reduce the cost of products and services, thereby improving the competitiveness of enterprises. Business expansion contributes to job creation, livelihood expansion and income generation for employees.

Third, regulations on setting up science and technology funds help encourage science and technology development, reduce CIT burden. The application of science and technology helps businesses increase productivity and improve the quality of their operations.

Fourth, tax reduction for SMEs is in line with good practice of many countries around the world. Many countries around the world see SMEs as an important driving force in socio-economic development, as well as a foundation for the development of large enterprises and creating jobs for workers. There are many policies to encourage the development of SMEs, including preferential CIT policy.

Limitations

Reducing state budget revenue

The part not collected due to tax incentives is a significant budget revenue shortfall, which means a reduction in financial resources for the infrastructure of the economy. According to the General Department of Taxation, when applying a reduced CIT rate of 3% for SMEs and 5% for micro enterprises, the state budget would reduce revenue by about 5168 billion VND/year, which means that SMEs could keep (not pay) this equivalent amount. This reduction corresponds to about 0.59% of total state budget revenue.

Tax evasion and tax avoidance are common and frequent

To take advantage of tax incentives, SMEs can find ways to keep small and medium-sized businesses or other ways to avoid taxes. In recent years, auditing agencies have discovered a series of common mistakes at enterprises in taxes such as VAT and CIT, leading to large tax losses. The tax fraud is taking place more and more complicated, the scope is getting wider and bigger, the scale is getting bigger, and the tricks are getting more and more sophisticated. Especially for SMEs, when they enjoy separate incentives compared to the current general tax system.

For corporate income tax, businesses often determine the lack or incorrect income for CIT calculation, account for expenses that are not in accordance with regulations when determining taxable income in various forms, declare the following: incorrect amount of CIT exemption or reduction, transfer pricing or declaration of loss, late payment of tax, tax arrears.

The fairness in tax treatment is not guaranteed

Enterprises receiving tax incentives have a lower actual tax rate than the general tax rate, but businesses still use public goods and services like enterprises paying full tax. This can create inequality among businesses, especially in the context that many businesses take advantage of loopholes in the tax administration process to receive tax incentives.

The implementation is sometimes unfair, due to the way SME is defined. There are many businesses that can have huge revenue from operating in fields such as commerce but are still SME.

Revenue is the basis for determining the current CIT incentives for SMEs. This requires agencies to find a way to determine the revenue of the business, thus incurring costs in the management process. Besides, there are also business objects with the same revenue scale but different profit rates in different business lines. Industries with high margins will have higher income levels and benefit more from this regulation. The calculation of tax on revenue therefore does not ensure fairness in terms of economic benefits for businesses. Therefore, changing the income threshold for the revenue threshold will ensure more fairness and reasonableness for businesses.

Effectiveness of impact at SMEs is not high

In the tax incentive's structure, the group of large enterprises is still the group that enjoys the most tax incentives. Specifically, in 2016, large enterprises in terms of both number of employees and sources of capital enjoy incentives in 2 economic groups, Trade and services and Industry & construction. Calculations show that the group of enterprises with a tax expenditure ratio of over 100 billion VND, belongs to the foreign investment industry. The number of enterprises with all 3 above characteristics is nearly 1.6 thousand enterprises (accounting for 1% of the total number of enterprises with positive profits), but tax expenditure of this group accounts for 41% of total tax expenditure. The real tax rate of this group is 8% and 90% of the enterprises of this group are in industrial zones.

Besides, the tax-beneficial industries are the main industries of SMEs, thus affecting businesses in this industry. The relatively high number of large tax-exempt enterprises affects the competitiveness of SMEs operating in the industry.

The effectiveness of tax incentives has not been fully evaluated

The calculation of tax incentives in Vietnam is still limited due to the lack of statistics, so the actual state support for SMEs has not been calculated, which affects the impact assessment of tax incentives to the operation of SMEs.

The burden of compliance costs remains relatively high

Since the Law on Supporting SMEs took effect from January 1, 2018, there have been no preferential policies and laws on separate CIT rates for SMEs that the Law on Support SMEs 2017 clearly stipulates. In which, SMEs are allowed to apply for a limited time the CIT rate lower than the normal tax rate applied to enterprises in accordance with the law on CIT. The application of different preferential tax rates in different periods, together with the unclear regulations on tax exemption and tax incentives, make the CIT Law complicated. As a result, there are compliance costs for businesses in tax declaration and payment.

The effectiveness of supporting enterprises in scientific and technological innovation is not high

The maximum level of deduction for science and technology fund is only 10% of annual taxable income. The 10% level is relatively small because the cost of science and technology investment accounts for a large part of the enterprises' activities. Especially in the current scientific and technological revolution 4.0, it is difficult for most SMEs to compete in terms of capital

and scale with large-scale enterprises, so development based on the technology platform is being considered as an advantage of SMEs. Many businesses spend a relatively high percentage on science and technology development. Therefore, the current 10% regulation does not really encourage SMEs to improve their level of science and technology.

5.2. Policy Recommendations

Building a taxable income threshold to identify SMEs

Revenue is the criterium to determine whether SMEs are eligible for tax incentives. Enterprises with a turnover of 20 billion VND or less will enjoy a preferential tax rate of 20% (the common tax rate is 22%). However, each industry has a different rate of profit, so such a calculation on revenue will lead to an imbalance in the actual resources that businesses benefit from this tax incentive. To overcome this problem, it is proposed to apply a taxable income threshold based on the actual income (profit earned) of the business instead of revenue. In addition, the use of progressive tax rates can be considered to help automatically regulate the resources of enterprises. To ensure the number of businesses receiving incentives and encourage businesses, proceed to apply from 0-10 billion VND, enjoy 15% interest rate, from 10-20 billion VND, enjoy 17% as proposed by the Law on Support. SMEs. The figure of 10 billion VND will help expand the beneficiaries of tax incentives, but it will cause a large loss of state budget revenue. However, this tax spending will be considered as an investment capital for development of the economy, and according to the multiplier model, it will help increase output for the economy. The difference between the two tax rates of 15% and 17% is not too large, will not cause the psychology of tax avoidance of businesses with incomes over 10 billion. Businesses are not afraid of increasing their business size for fear of having to pay a lot of taxes. The division of these two tax rates, although reducing revenue for the state budget, but in the context that businesses, especially SMEs, are heavily affected by Covid-19 will have the motivation to restore production activities to generate more revenue. added value to the economy.

Special incentives for newly established SMEs

CIT incentives focus on many priority localities and industries but lack incentives for newly established SMEs. Newly established businesses are subject to many difficulties, especially financial difficulties. In the current Covid-19 context, the number of bankrupt businesses is relatively large, especially small and medium-sized enterprises. To revive businesses in the coming time, the author proposes to apply CIT exemption for newly established businesses in the first 2 years with income not exceeding 20 billion VND. This regulation will create conditions for newly established enterprises to accumulate more capital for the development of production and business activities. To avoid the situation where many enterprises make profit by shutting down their business operations, dissolving and then establishing new ones, tax administration agencies need to build a system to manage business information. In addition to information on the place of registration of production and business is also classified according to information about the owner and representative of the enterprise. It can ensure to minimize the loss of revenue due to businesses evading taxes.

CIT incentives promote research and development activities in SMEs

Science and technology development is an inevitable trend of the economy. Promoting enterprises, especially SMEs in R&D, will spread the positive effect to other industries. Investment in technology development is capital intensive and the payback period is longer than in many commercial sectors. Therefore, the psychology of SMEs is quite hesitant to participate in this field. To ensure the mobilization of resources in the economy, the state needs to adjust incentives for this object. The study proposes to deduct 100% of actual expenses invested in scientific and technological research and development when calculating CIT. This regulation ensures that only enterprises that invest in R&D are eligible for incentives.

Accelerated depreciation for SMEs

In order to help SMEs turn capital quickly, improve production and business efficiency, it is necessary to have separate regulations on depreciation for these enterprises. Research proposes regulation allowing SMEs to depreciate 70% of machinery and equipment; measuring and testing tools; equipment and means of transport.... In the context of the rapid development of science and technology, businesses need to continuously invest in renewing machinery and equipment to improve productivity and meet the needs of the market. With the regulation of 70%, enterprises only need about 2 years to return their investment in fixed assets, speed up capital turnover, improve production and business efficiency; encourage enterprises using their capital to renew fixed assets for production and business activities.

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REFORMING THE TAX SYSTEM TO 2030 TOWARDS TO A SUSTAINABLE BUDGET STRUCTURE

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Abstract: *A sustainable tax, fee and fee structure is determined on the basis of a structural balance between indirect taxes (collected from consumption), direct taxes (collected from income) and taxes on assets. In Viet Nam, the sustainability of budget revenue is reflected in the revenue from taxes and fees, which contributed significantly to the total state budget revenue in the period 2016 - 2020. This article provides an overview of the results of tax system reform in the period 2016 - 2020, thereby identifying the risk factors affecting the process of organizing the implementation of state budget revenue and making recommendations for tax system reform by 2030 in order to achieve a sustainable budget revenue structure in the current context.*

Keywords: *tax reform, sustainable budget revenue, organize the collection of state budget*

1. INTRODUCTION

Building, consolidating and maintaining the stability and sustainability of the State Budget is the goal of all countries in the world. Accordingly, “*Budget sustainability is a state in which the State’s budget revenues and expenditures are actively controlled, ensuring the State’s ability to fulfill its financial obligations as committed.*” [2] and when it comes to budget sustainability, revenue sustainability plays a particularly important role.

In Viet Nam, the sustainability of budget revenue is reflected in the revenue from taxes and fees contributing to the total state budget revenue. Since the beginning of 2000, it has been identified as the third phase (from 2021 to 2030) of the Tax System Reform Strategy (phase 1: 2001-2010; phase 2: 2011-2020), the state budget revenue for tax revenues (except crude oil) has had undeniable achievements, the sustainability has been significantly improved, reflected in the continuously increasing scale in both absolute numbers, as well as relative numbers in total state budget revenue and compared to GDP. However, the sustainability of state budget revenue for tax revenues in the past period is still affected by loopholes or gaps in tax policies, lack of seriousness of tax and fee collection discipline, leading to tax loss; tax evasion and inequality for the section that seriously fulfills the obligation to collect and pay the state budget. In addition, many “spaces” for tax revenue in the economy have not been fully exploited, especially in the context of the development of the digital economy.

In the context of the deep integration of the economy along with the development of the digital economy, recent international tax reforms and the significant impacts of the recent Covid-19

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pandemic has not yet ended; on the one hand, the Government is always determined to persevere in the implementation of the “dual goal” of fighting the epidemic and developing the economy, on the other hand, it must always pursue the goal of restructuring the state budget set out in Resolution 07-NQ/TW dated November 18, 2016 of the Politburo.

Thus, in the coming time, in order to structure state budget revenue in a sustainable direction to ensure growth in size and structure, the Government needs to continue to reform each tax in the direction of expanding the tax base and ensuring fairness, efficiency, simplicity, transparency; this is done through tax system reform in Strategy for the coming period. Stemming from the above issues, the research paper “*Reforming the tax system to 2030 towards to a sustainable budget structure*” was selected by the authors to conduct the research.

The structure of the article is organized as follows: After the first section introduces an overview of the purpose of the article, section 2 presents the general theoretical framework of the sustainable budget revenue structure and relevant researches. Section 3 presents the research method, then section 4 summarizes the results of the analysis of the budget revenue structure for the period 2010-2020, and section 5 makes recommendations on tax system reform in the coming period to guide to a sustainable budget revenue structure in the current context.

2. GENERAL THEORETICAL BASIS AND OVERVIEW OF RESEARCHES RELATED TO SUSTAINABLE BUDGET REVENUE STRUCTURE

2.1. General theoretical basis for sustainable budget revenue structure

Budget revenue is the creation of financial resources by the State in order to perform State functions. Accordingly, the State uses its power to concentrate a part of the national financial resources to form the state budget fund in order to satisfy the spending needs of the State. The 2015 State Budget Law has defined state budget revenues as consisting of four basic sources: (i) All revenues from taxes and fees; (ii) All fees collected from service activities performed by state agencies, public non-business units and state enterprises; (iii) Non-refundable grants; (iv) Other revenues as prescribed.

On that basis, the budget revenue structure is the content of State budget revenues and the proportion of each revenue in the total State budget revenue. A sustainable state budget revenue structure is determined on the basis of: (i) the proportion of domestic tax revenues must account for a large proportion in the revenue structure, regardless of loans; and (ii) the level and growth rate of total state budget revenue in relation to meeting the demand for state budget expenditure in particular and economic growth in general have many impacts on socio-economic development. In general, the size of budget revenue depends on a number of basic factors such as: GDP per capita, the average profit rate in the economy, the ability to exploit and export natural resources (oil and minerals), the level of payment of the State’s expenses and the organization of the collection and payment apparatus.

Within the scope of this research, the authors focus on determining a structure of revenues in the total revenue from taxes, fees and charges. A sustainable tax, fee and fee structure is determined on the basis of a structural balance between indirect taxes (collections on consumption), direct taxes (collections

on income) and taxes on assets. The stability of the size of consumption tax revenues is considered to be higher than that of income tax revenues. This shift is also a consequence of the integration process, when barriers to the movement of capital and labor were gradually removed, countries had to continuously reduce the level of incentives for income taxes, including corporate income tax (CIT) and personal income tax (PIT) to ensure the competitiveness of the investment environment.

2.2. Overview of researches related to sustainable budget revenue

In this section, the authors will present some overview of relevant research situation in Viet Nam and abroad in recent time. As follows:

Budget sustainability in Viet Nam - The issues raised (2015), in his research, Truong Ba Tuan studied general theories about the sustainability of the state budget in general and state budget revenue in particular. At the same time, the author also identifies a number of issues in ensuring the budget sustainability in Viet Nam and the causes and then proposes solutions to enhance the sustainability of the state budget in the coming time. [2]

Vuong Thi Thu Hien, Vu Thi Tam Thu (2020) conducted the research "*Renovating the structure of state budget revenue in Viet Nam towards sustainability*". The research focuses on assessing the positive impacts and pointing out the limitations and causes of the revenue structure on the sustainability of the state budget. At the same time, the authors have also proposed solutions to renovate the structure of state budget revenue in Viet Nam in a sustainable way to overcome the above limitations. [4]

In addition, the authors Nguyen Thi Thanh Hoai, Ly Phuong Duyen, Chu Van Hung (2020) when researching "*Adjusting the state budget revenue structure towards sustainable development in Viet Nam*", also recognized the positive changes in the budget revenue structure for the period 2015 - 2019 and pointed out the remaining problems, thereby proposing some recommendations for these limitations. [5]

Author Ho Ngoc Tu (2019) with the research content on "*State budget status and some recommendations*" also analyzed the results of state budget revenue and expenditure in the period of 2008 - 2018 and make recommendations on the basis of analyzing the requirements set out in each content of the assessment of budget revenue and expenditure. The author's proposed solutions are mainly focused on the group of solutions for budget revenue and expenditure management [1].

Research by the National Academy of Sciences of the United States (2010): on the basis of assessing the programs of the Federal Government with current policies in the context of an increasing aging population leading to the rising cost of health care, spending would have to increase enormously as a percentage of gross domestic product (GDP); The research provides options for sustainable budgeting based on key spending categories and budget revenues, including proposals for tax structure reform and the introduction of new tax forms and the applicability of a VAT similar to that used in other industrialized countries to shift budgets to a stable relationship between revenues and expenditures. Policy options can be combined to create long-term budget scenarios to close the gap between spending and revenue, to reduce debt to no more than 60% of GDP, and then to adjust spending tightly with budget revenue, to put the budget on a sustainable trajectory. [9]

Allen Schick (2005), in his research of Sustainable Budget Policy, pointed out that concerns about fiscal sustainability are driven by the expected aging of the population and the possible increase in government spending on pensions and health care. Aspects of sustainability discussed include: solvency, growth, stability, fairness. Modes of sustainability analysis are related to existing budget practices, including baseline projections, balance sheet analysis, fiscal gap analysis, and generational accounting. The research also discusses how to build sustainability analysis into the budget process and how to manage the sustainability process. [7]

IMF (2011), in its Working Paper on Revenue Mobilization in Developing Countries, IMF assesses the experience of developing countries in strengthening their tax systems, with a particular focus on lower-income countries. From there, it draws lessons for both policy and administration, from analytical and technical assistance work, discusses core elements and assesses prospects for strengthening revenue mobilization in the face of emerging challenges. [8]

Through the above analysis, it can be said that although in Viet Nam and internationally, there have been researches on proposing solutions to adjust the structure of budget revenue sustainably. However, at present, the gaps in these researches are not tied to the recent international tax reforms adopted by the countries participating in the OECD/G20 Inclusive Framework on BEPS (IF) and other researches focus on solutions for total budget revenue in general. Therefore, the content of this article focuses on solutions to adjust tax policy to ensure the sustainability of revenue from taxes and fees according to the target of the collection rate in the coming period according to the goals as set out by the Party Congress, and at the same time suitable for the current context.

3. RESEARCH METHODS

- *Method of collecting and processing information:* the authors have collected primary documents and secondary documents, including: Report on implementation results of the tax system reform strategy for the period 2010 - 2020, International tax reform reports of the IF, scientific articles, domestic and foreign news articles... are related to the issue of budget revenue structure. These documents have been processed by the authors to:

+ Systematize the results that have been studied before, discover the issues that have been agreed upon, and the gaps that need to be researched to deepen the research and find out new points of the issue.

+ Searching for scientific bases and evidence data as the basis for the formation of thesis, arguments and demonstrations both in theory and in practice.

+ Draw conclusions according to the author's own approach.

- *Analytical methods* are used to analyze data related to the state budget collection structure for the period 2011-2020; analyzing a number of situations related to Viet Nam's economy and society in the context of the digital economy and extensive international integration to see the challenges to the state budget revenue structure in the coming period.

4. RESEARCH RESULTS

In the implementation of the tax system reform strategy for the period 2011-2020 according to the Prime Minister's Decision no. 732/QĐ-TTg dated May 17th, 2011, the legal system on taxes, fees, charges and other revenues managed by the tax sector has been completed in the

right direction of reform, creating change and showing positive results in revenue restructuring to ensure sustainability and fairness.

In the period 2011-2020, the average rate of mobilization into the state budget in the period 2011-2020 reached about 24.5% of GDP, of which: the period 2011-2015 reached about 23.5% of GDP (the planned target was 23-24% of GDP); the period 2016-2020 reached about 25.2% of GDP (the planned target was 23.5% of GDP), with the average growth rate of total state budget revenue in the period 2016-2020 reaching 8.6%/year, exceeded the target at the Documents of the 11th and 12th Party Congresses.

Criteria	The period 2011-2015		The period 2016-2020	
	Value (billion VND)	Proportion	Value (billion VND)	Proportion
Total state budget revenue	4,160,948.13		6,895,754.24	
Of which:				
<i>Total domestic revenue (excluding crude oil)</i>	2,831,358.91	68.0%	5,411,445.84	78.5%
Total revenue from crude oil	538,339.14	12.9%	246,666.42	3.6%
Total revenue from selling state capital in enterprises			238,712.25	3.5%
Total balance revenue from import and export activities	734,862.16	17.7%	963,607.06	14.0%
Total revenue from aid	56,387.92	1.4%	35,322.66	0.5%

(Source: Author's compilation from reports of the Ministry of Finance)

The revenue structure of state budget is adjusted in the direction of increasing the proportion of domestic revenues from production and business, gradually reducing the dependence on revenue from mineral resources (crude oil) and income from import and export. This is reflected in the data on the ratio of total revenue from crude oil to total state budget revenue decreasing from 12.9% in the period 2011-2015 to 3.6% in the period 2016-2020 and the ratio of total revenue from import and export decreased from 17.7% in the period 2011-2015 to 14% in the period 2016-2020, these two reduced revenue sources were offset by domestic revenue accounting for 68% in the period 2011-2016 increasing to 78.5% in the period 2016-2020. In terms of the ratio of mobilizing each state budget revenue in total GDP, the ratio of total mobilization from taxes, fees and charges managed by the tax sector (except crude oil) has also brought positive results in the period 2016-2020 (accounting for 19.8%).

Criteria	The period 2011-2015	The period 2016-2020
Total GDP (billion VND)	17,740,279	27,381,533
Ratio of total state budget revenue/GDP	23.5%	25.2%
Of which:		
Ratio of total domestic revenue mobilization (excluding crude oil)	16.0%	19.8%
Ratio of total revenue from crude oil/GDP	3.0%	0.9%
Ratio of total revenue from selling state capital in enterprises/GDP	0.0%	0.9%

Ratio of total balanced revenue from import and export activities/ GDP	4.1%	3.5%
Ratio of total revenue from aid /GDP	0.3%	0.1%

(Source: Author's compilation from reports of the Ministry of Finance)

Revenues managed by the tax types (except for crude oil) have been reasonably adjusted. In which, revenue from indirect taxes increasingly occupies an important position in mobilizing resources for the state budget, the proportion of direct taxes gradually decreases in budget revenue, in order to implement the policy of rebuilding the investment and business environment to promote the development of enterprises. Specifically, the proportion of revenue from VAT in total state budget revenue decreased from 18.2% in the period 2011-2015 to 16.2% in the period 2016-2020; The proportion of revenue from excise tax in total state budget revenue increased from 6.3% in the period 2011-2015 to 6.9% in the period 2016-2020; The proportion of revenue from environmental protection tax in total state budget revenue increased from 1.8% in the period 2011-2015 to 3.7% in the period 2016-2020, accounting for 3.7% of the total state budget revenue. The proportion of revenue from corporate income tax in total state budget revenue decreased at the time of adjusting the CIT rate, however, the proportion of revenue tended to increase gradually from 13.6% in 2017 to 15.3% in 2020, on average in the period 2016-2020, accounted for 14.4% of the total state budget revenue, slightly lower than the average of 15.1% in the period 2011-2015; PIT tends to increase gradually due to the economic situation with good growth in recent years, from 5.6% of total state budget revenue in the period 2011-2015 to 6.7% in the period 2016-2020; the proportion of revenue for land revenues increased from 7.5% in the period 2011-2015 to 12.6% in the period 2016-2020, of which land use levy increased from 6.1% to 10.1%. Revenues from fees and charges (including registration fees) are also gradually playing an important role in mobilizing resources for the state budget. Revenues from fees and charges managed by the tax sector also play an important part in mobilizing resources for the state budget. Revenues from fees and charges increased from 3.8% in the period 2011-2015 to 4.8% in the period 2016-2020.

Criteria	The period 2011-2015	Proportion	The period 2016-2020	Proportion
Total domestic revenue	2,831,358.91		5,411,445.84	
Tax revenues				
VAT	758,717.78	26.8%	1,118,333.14	20.7%
Special Consumption Tax	262,354.63	9.3%	473,808.95	8.8%
Fuel fee (Environmental protection tax)	74,831.24	2.6%	258,562.57	4.8%
CIT	629,019.83	22.2%	991,906.43	18.3%
PIT	234,532.20	8.3%	462,993.37	8.6%
Resource Tax	44,302.86	1.6%	98,817.21	1.8%
Agricultural land use tax	329.01	0.0%	151.49	0.0%
Real estate tax (Non-agricultural land use tax)	7,170.3	0.3%	9,085.31	0.2%
Revenues from Fees and Charges				

Registration fee	79,605.95	2.8%	162,338.12	3.0%
Revenues from fees and charges	77,324.38	2.7%	171,446.18	3.2%
Revenues other than fees and charges				
Revenues from natural gas	38,400.19	1.4%	29,413.12	0.5%
Other revenues (03 economic sectors)	61,213.51	2.2%	29,272.07	0.5%
Revenue from lottery activities	-	0.0%	127,954.59	2.4%
Revenue from granting the right to exploit minerals, airspace, sea area	5,788.00	0.2%	27,835.26	0.5%
Capital recovery, profit after tax, difference in revenue and expenditure of the State Bank	139,145.00	4.9%	413,994.84	7.7%
Tax on land use right transfer (debt collection)	23.67	0.0%	-	0.0%
Other budget revenue	102,838.64	3.6%	166,885.83	3.1%
Fixed revenue at commune	12,301.61	0.4%	9,961.07	0.2%
Land use fees	255,544.17	9.0%	699,212.27	12.9%
Revenue from selling and renting state-owned houses	9,112.12	0.3%	9,943.55	0.2%
Land rent	38,803.49	1.4%	149,530.48	2.8%

(Source: Author's compilation from reports of the Ministry of Finance)

In terms of sectors, the proportion of revenue from the SOE sector continues to contribute an important part but tends to decrease from 17.7% of total state budget revenue in the period 2011-2015 to 11.1% in the period 2016-2020. This trend is inevitable because the number of SOEs has recently decreased due to equitization, the operating efficiency of SOEs is not high, so the growth rate of revenue from SOEs is lower than the growth rate of state budget revenue in general. Meanwhile, the revenue of non-state enterprises increased from 12.6% of total budget revenue in the period 2011-2015 to 15% in the period 2016-2020, thanks to preferential policies, creating favorable conditions for production and business, the number of newly established enterprises increased, the performance of the non-state economic sector also improved, so the state budget revenue from this sector also increased.

The revenue of the foreign-invested enterprise sector increased respectively in the period 2011-2015 from 12.9% to 13.7% in the period 2016-2020. The change in revenue from the foreign-invested enterprise sector is partly due to the recent increase in foreign investment capital into Viet Nam, in addition, tax authorities strengthen inspection and examination of transfer pricing to detect fraud cases and reduce losses, thus contributing to increasing state budget revenue of this area.

In general, the revenue structure of Viet Nam's state budget over the past time has had positive changes. However, in terms of the sustainability of state budget revenue, there are still some limitations in terms of revenue scale and revenue structure, it is:

- The proportion of revenue from import-export is still high (*accounting for about 14%-17% in the period 2011-2020 of total state budget revenue*). In the context of the coming period, the

implementation of tax reduction according to the integration commitments puts a lot of pressure on the need to exploit revenue sources or expand the domestic revenue base to make up for the shortfall in revenue from import and export.

- The revenue structure of Viet Nam's domestic state budget still depends a lot on stable revenue, such as: revenue from land use still accounts for a relatively high proportion of total domestic revenue (*accounting for 12.9% of total revenue in the total domestic revenue in the period 2016-2020*), or placing a large tax burden on enterprises due to the high proportion of corporate income tax (CIT) (*accounting for 26.9% of total domestic revenue in the period 2016-2020*).

- Scale of personal income tax (PIT) (*accounting for 8.6% of total domestic revenue in the period 2016-2020*), housing tax (*accounting for 0.2% of total domestic revenue in the period 2016-2020*) is still quite modest, while people's living standards continue to improve or are not commensurate with the context of increasing real estate transactions and speculation.

- The contribution of the foreign business sector to the tax-to-GDP ratio has decreased, although their contribution to value-added has been increasing, indicating that General Department of Taxation (GDT) needs to further strengthen its international tax administration capacity.

Some reasons for the above situation are: Tax law still has limitations, not covering the activities of the economy. The area without tax collection and tax incentives is still a lot with 25 groups of goods and services that are not subject to VAT and 11 incomes that are exempt from CIT; The list of tax incentives is numerous and complicated, which can lead to unfair competition and also cause difficulties in tax collection control and management due to the need to determine tax collection and tax exemption; As well as the current regulation of only 10 types of personal income, it does not cover the income for the group of individual taxpayers.

Challenges affecting the development of tax reform strategy for the period 2021-2030

- The impact of the Covid-19 pandemic on world economic growth is serious and can be prolonged, creating risks of socio-political instability, financial-monetary balance not only in the year 2021 but can also last in the early years of the period 2021-2025, potentially leading to a financial crisis in some countries, profoundly changing the economic order, structure, global governance, and economic operations. This is a problem for both developed and developing countries when facing to come up with economic solutions that both ensure a balance between oriented growth and increase budget revenues to combat the Covid-19 storm.

- Global economic integration brings many benefits to Viet Nam, but it also entails some international tax risks such as transfer pricing, borrowing through affiliates in countries with low CIT rates, and allocating to permanent establishment/local branch and profit repatriation/withholding at source arrangements.

- The rise of the digital economy has led to the emergence of a series of new business models that presents both opportunities and challenges for tax system reform. Opportunities include: transactions in the digital economy tend to be paid in a non-cash form, which can enable tax authorities to mine data to check compliance; Digital platforms of intermediary businesses connecting suppliers and consumers facilitate formalized small supply economy transactions. All the issues of integration and digital economy emphasize the need to strengthen the international tax management capacity of the Vietnamese tax authorities.

- A global minimum tax rate of less than 15% has been agreed upon by the members of the OECD/G20 Inclusive Framework on BEPS to allow countries where the Parent Company's headquarters are located the right to collect additional income tax from the Parent Company on Subsidiaries enjoying a tax rate of less than 15%. [11] Currently, Viet Nam still has a preferential tax rate of less than 15%.

5. DISCUSSION AND CONCLUSION

Stemming from the limitations of the current state budget revenue structure, in order to enhance the sustainability of state budget revenue in Viet Nam both in terms of scale and structure, it is necessary to pass the reform of the tax system, the reform of each tax in the period 2021-2030 towards ensuring fairness, efficiency, simplicity and transparency, narrowing tax distortions, along with expanding the tax base and reducing tax rates. To meet the above requirements, the reform in each tax policy is recommended as follows:

- *Firstly*: For value-added tax: with the development of e-commerce and cross-border digital economy, many countries have seen a sharp increase in low-value import packages or digital service transactions provided directly between foreign enterprises and domestic end consumers, the mechanism of tax collection according to the buyer does not really work because it will increase the burden of tax administration costs and the non-compliance of the end consumers group. Therefore, the law on VAT in the coming period needs to widen the threshold value for VAT and import tax exemption for low value goods (for example, the threshold of VAT-free turnover of VND 150 million) to reduce tax administration costs and tax fraud prevention, and the mechanism to collect tax from sellers for imported goods with a value below the threshold and the provision of digital services to domestic end consumers.

- *Second*: Regarding corporate income tax: eliminating tax-free incomes to minimize the integration of social tax policies such as tax-free income for incomes of enterprises employing 30% of the average number of employees in the year or more are disabled people, people after detoxification, people infected with the virus causing human immunodeficiency syndrome (HIV/AIDS) or income from vocational training activities exclusively for ethnic minorities, disabled people, children in extremely difficult circumstances, objects of social evils; abolish the remaining preferential tax rates below 15% to ensure fairness in competition among enterprises in Viet Nam and prevent countries investing in Viet Nam from taxing subsidiaries that enjoy preferential tax rates of less than 15%; expanding the tax base for dividends and profits distributed to ensure fairness between investors that are businesses (*determined as income exempted from tax*) and investors that are individuals (*determined as taxable income*); regulations on the ratio of loans to assets to overcome the situation of "thin capitalization", transfer pricing according to the solution on foreign investment orientation until 2030 in Resolution 50 of the Politburo.

- *Third*: Regarding excise tax: research, amend and supplement objects subject to excise tax (for example, adding soft drinks and online games to the list of excise taxable items) to guide the regulation of consumption in accordance with the shift in consumption trends in society as well as the orientation of the state (limiting childhood obesity and negative effects from online games); develop a roadmap to adjust tax increases for tobacco and alcohol products, in order

to limit production and consumption and fulfill international commitments; review and research on adjustment of tax rates for a number of items to suit socio-economic conditions in the period 2021-2030; the study applies a combination of proportional tax rate and absolute tax to a number of taxable goods and services.

- *Fourth*: Regarding personal income tax: research and amend regulations on taxable income according to the opting-out principle, instead of the current regulations on 10 taxable incomes. Regulations in this direction are intended to ensure the stability of applicable laws in the future in the face of fluctuations in business types and to cover revenues from the private sector and the informal economy.

- *Fifth*: Regarding international taxation, Viet Nam has become the 100th member of the OECD/G20 Inclusive Framework on BEPS (IF) since June 2017. Accordingly, Viet Nam commits to implement 4 minimum standards out of a total of 15 BEPS Actions/Groups of solution; while the remaining 11 Actions are now arbitrary. Viet Nam has also applied the recommendations of BEPS/Actions 4, 8 and 10 related to transfer pricing to include in the domestic law in Decree no. 20/2017/ND-CP and currently in Decree no. 132/2020/ND-CP. Therefore, Viet Nam needs to take one more BEPS action by participating in the signing of the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI) to overcome the gaps and inadequacies in many bilateral taxation Agreements that Viet Nam has signed (Action 15).

In addition, in the overall strategy to reform the tax system for the period 2021-2030, the tax sector focuses on working with the Ministry of Finance and the whole country to strengthen administrative reform and improve the business environment... By 2030, Viet Nam's business environment is expected to be ranked among the top 30 countries (according to the World Bank's report). At the same time, quickly build a modern administrative system, based on a contingent of cadres, civil servants and public employees with high professionalism, creative capacity, good moral qualities, political bravery, serving people and businesses; implement state management methods and tools mainly by indirect regulation, strengthening post-inspection; minimize legal risks and compliance costs for people and businesses.

In order to accomplish the above goals, in addition to continuing to review and cut unnecessary administrative procedures, the tax sector needs to strengthen the application of modern technology in management, ensuring the simplest and easiest electronic tax declaration and payment. Striving to 2022, 100% of tax administrative procedures will be carried out electronically, connected to the national online public service portal at level 4 and raised to a higher level in the following years.

Along with that, the tax sector also needs to complete the connection of automatic tax administration information with state management agencies, by 2025 at the latest; complete the full, accurate and centralized taxpayer database; actively participate in international tax cooperation activities. In particular, it is necessary to study and apply modern and advanced revenue forecasting methods in the world to improve the quality of analysis and forecast of Viet Nam's budget revenue.

Thus, in the immediate future, we still have a long way and many challenges to ensure the sustainability of state budget revenue, but we must step by step and make efforts to quickly reach the destination and focus on sustainability state budget revenue for tax revenues.

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THE HUMAN RESOURCES OF INDEPENDENT AUDITING SITUATION AND SOLUTIONS

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Abstract: *In the current conditions of integration global and technological revolution 4.0 with characteristics which are the development of science and technology has significantly affected the human resources of independent auditing. Viet Nam is facing many impacts and challenges in improving the quality of human resources for auditing activities. Requirements are increasingly highly professional, moral and professional responsibilities as well as information technology level. The trend of reducing simple workers and increasing high quality auditing human resources to suit new conditions. However, the situation in Vietnam is facing challenges of highly qualified labor shortages and professional skills as well as the ability to master information technology. So, what in this period needs to do to improve the quality of accounting and audit human resources? This article will focus on the following issues: Overview of auditing accounting and impacts in this current condition with the impact of technological revolution; determine clearly the role and requirements of auditing human resources during this period; Assess the situation of auditing and auditing human resources; Proposing solutions and conditions to contribute to improving the quality of human resources for independent auditing activities in the coming time.*

Key works: *Human resources; Auditor; Technological revolution 4.0*

1. INTRODUCE

After about 30 years of formation and development, Vietnam independent audit has now confirmed an indispensable role in the market economy and is becoming an important tool management of Economy - Finance system, plays a positive role to serve for socio-economic development. Independent audit has grow strongly both in terms of quantity, scale and service quality. There are over 200 auditing enterprises, about 2,300 auditors practice and extensive branch network throughout the country. Independent auditing has promptly and effectively and efficiently auditing and consulting services for tens of thousands of businesses every year. Independent auditing have become the necessary needs to publicize and transparent financial information, serve benefits of stakeholders. In order to get the above achievement, one of those most important factors is Auditor-Human Resources Auditing.

Along with the trend of integration, global and technological revolution 4.0 has been directly affecting audit activities in general and auditor in particular. The technological revolution 4.0 has been taking place quickly and developed with an unprecedented number of multiplier in history. The characteristic of this technological revolution 4.0 is a learning control and robot; The real world and virtual world link systems. Specific expression is: centralized database (Big Data);

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Smart City (Smart Cities); Virtual money (Blockchain/Bitcoin); Artificial Intelligence; Renewable energy / Clean-tech technology (Renewable Energy/Clean-Tech); Thin film technology (Fintech); E-commerce (E-commerce); Robotics (Robotics); 3D printing technology (3D Printing); Virtual real connection (Virtual/Augmented Reality); Shared economies (Shared Economies); Internet connections (Iothings); Nanotechnology / 2D Materials (Nanotechnology/2D Materials); Biotechnology/Genetics and Agricultural Revolution (Biotechnology/Genetics & Agricultural Innovation); Desalination of freshwater filter from seawater and solid waste management (Desalination and Enhanced Waste Management)... Technological revolution 4.0 is not only about machines, smart and connected systems, but also has a wider range much.

From a major change in accounting-auditing in the trend of integration, global as well as a major impact of technological revolution 4.0, it is necessary to have investment in human resources in auditing. In auditing activities, human resources on auditing in this situation also need changes, need to be supplemented in both ideology, awareness and action as well as requirements and skills to suit things this new event.

2. LITERATURE REVIEW AND PREVIOUS RESEARCH STUDIES

In the process of researching and understanding topics related to the topic of human resource auditing, there are now many topics that go into this field. Studies have confirmed the great role of investment improve the quality of audit human resources, thereby improving the quality of audit work.

In the research on audit human resources that have been done, the authors approach basic issues such as: concepts, roles, ideas, meaning and importance. In the research on audit human resources in Vietnam, the authors all believe that the audit human resources in Vietnam have not met the requirements of integration and development.

On the basis of inheriting the research works of previous authors, in this article, the authors have systematized the theoretical basis of audit human resources in their research, assessing the current state of the current audit human resources. Point out the shortcomings and inadequacies in the training and use of the current audit staff, thereby proposing solutions and recommendations to continue innovating and perfecting training programs and policies attract high-quality human resources in the field of auditing. From there, propose solutions to develop appropriate and highly applicable audit human resources in order to promote efficiency and contribute to improving the quality of audit human resources in the coming time.

3. RESEARCH METHODS

The authors used theoretical and practical research methods to form this article.

- Regarding theoretical research methods: On the database, information is available in documents and documents by logical thinking manipulations to draw necessary scientific conclusions for the research problem. Specific methods such as: Analytical method and theoretical synthesis; theoretical classification and systematization methods; Hypothetical methods and historical methods.

- Regarding practical research methods: Using methods directly applied to research problems in practice to understand the nature and law of the problem, including: scientific observation

method; methods of investigation, interview, survey; analytical method to summarize experience and consultation with experts.

To obtain this article, the authors used documents such as textbooks, books and regulations and standards on accounting and auditing to provide conceptual and theoretical content as a basis for research. At the same time, based on research results that have been published in journals, topics and reviews, the authors have made assessments about the current status of audit human resources. Since then, the authors have applied theoretical studies, examined the situation to make suggestions on the current status of audit human resources in the current context.

4. RESEARCH RESULTS

4.1. Role of auditing human resources in economic management tool system

In auditing activities, auditor is the subject of an audit. Auditor must comply with the principles of acting ethics such as independence, integrity, objectivity, with professional capacity and cautiousness, confidentiality, career status, compliance with professional standards. These are compulsory principles because it greatly affects the quality of the audit and the quality of audited information as well as the prestige of auditors, auditing companies. If it is missing but that principle is definitely the effect of the audit process will not be guaranteed, audit information will lack reliability affecting the decision of user information that causes economic damage and reputation.

Auditor must always maximize its roles and responsibilities in auditing activities as well as other related activities. Auditor must always show: *is the public judge of the past; are proficient for the present; As a mentor of the future*. So, the role of auditors is extremely important:

Firstly, create trust for those who are interested in: Although active in any economic sector, the annual performance of enterprises shows on financial statements (including balance sheet, reporting results Business, currency circulation board, explanation of financial statements). However, because many different causes, the owners of karma - who are responsible for making financial statements all want to hide their shortcomings, weaknesses or promoting their business results on the financial statements. In contrast, people who are interested in business results and the financial situation of enterprises will require the truthfulness and accuracy of the financial statements, so the third consignment is required. People interested in independent accounting, specifically include:

- State agencies need to have honest information to regulate the macroeconomy. The State shall base itself on the audited financial statements to consider enterprises using state budgets and national assets for business activities that are effective and served for economic development objectives - Society of the country? Regarding tax obligations for the State, ordinary enterprises want to submit little to occupy the remaining profits, they will declare the expenses to reduce the profits and pay less taxes, however if performing an audit This mistake will be detected and adjusted.

- Shareholders contributing capital or buying shares of enterprises: Although, there are no qualifications to carefully examine the financial statements of the enterprise, but with the financial statements of the auditor are independent Confirmation, shareholders can be assured of income and decisions to continue to invest or not invest in enterprises.

- Banks and credit institutions for loans: In order to make loan decisions, capital recovery or non-lending, banks and credit institutions forced to firmly grasp the business situation and debt repayment capacity of enterprises. Independent audit, auditors will help the Bank identify and authenticate these issues, so independent auditors must have a reputable capacity with both business owners and people interested in the Finance Report main.

- For employees: Financial statements are also important, because in the market economy, the employee has the right to choose a stable workplace and have a high income level. The financial statement of a profit-making enterprise is validated by the auditor will attract more with workers who have professional qualifications and capabilities.

- Foreign investors: Vietnam is implementing the opening policy, multilateral investment is not only in the country but also foreign, however, foreign investors always require a financial report checked. Mathematics to confirm the socio-economic situation of the host country, the business environment and the competitiveness of the enterprises they plan to invest.

- Company's managers and other managers: these subjects also need honest information to make decisions in all stages of management, including receiving capital, directing and executive capital and these This information is only through audit.

Secondly, professional guidance and consolidation of financial accounting activities: All activities, especially financial activities include diverse relationships, always transformed and constituted by goods Specific professional series. Vietnam is in the process of economic development, in which financial relations and accounting regimes have changed. Meanwhile, the inspection and control is not timely, leading to the violation of the principles of financial and accounting regimes. This fact shows that only better implementation of new auditors can put financial activities, accounting goes into order.

Thirdly, improving efficiency and management capacity: Independent audit not only verified functions but also counseling functions. Industrial owners cannot control thousands, thousands of financial and accounting professions have occurred in enterprises. Therefore, in order to authenticate their accounting finance situation on certain terms, the enterprise owner often invites the prestigious independent professional auditors to inspect and comment on the Finance Statement. Auditor's comments will help business owners to promptly detect errors, waste or violations of laws due to intentionally or unintentionally to handle timely, or preventing possible losses. In summary, independent auditing is a tool to help businesses limit the risks and discover the strength of the intrinsic financial potentials in enterprises.

4.2. Current situation of auditing human resources

Currently with more than 200 auditing enterprises, about 2,300 auditors, work in the field of auditing, the same branch network spread across the country has promptly provided the most effective enough effectively Auditing and consulting services for tens of thousands of businesses every year. This amount of auditor is trained mainly from the Financial Academy, National Economics University, Trade University, Banking Academy, Ho Chi Minh City University of Economics ..., Personnel Schools and from other industries moved ... with different content and training capacity. Although the resources to become an auditor in our country trained in the school

are not really intensive. New audit only is a subject with very short learning and research time, opportunities as well as practice time is not available. Therefore, auditors are mainly trained when participating in auditing companies and auditors organized by the State. Vietnam currently does not have a unique auditor training school so the quality is not really as expected and meet the requirements of the new trend.

With the number of auditor and auditing organizations such as currently undeniably the development of the audit sector but the development is not commensurate with the current needs and role and functions of the field (professional) audit. The quality of service of auditing companies provided is relatively good but due to Vietnamese financial environment is unprofessional and transparent, so it has also faced certain difficulties. The professional qualifications as well as the professional ethics of auditors are increasingly enhanced but compared to advanced countries in the world there is still a fair distance that requires our great effort.

Straight to see and evaluate and evaluate: in some academies, university large and prestigious economic universities have a positive recognition and move in training human resource auditing by training model bachelor. In addition, there is high quality program training, associated with foreign universities and occupational organizations such as: ACCA, ICAEW ... However, Vietnam auditing industry manpower is less competitive, wearing Although the number of abundant workers, cheap prices but do not meet the demand for employers including domestic and not mentioned global scope due to low quality productivity, poor foreign languages, lack of skills, longer. Large distance between training and practical needs, the value added is not commensurate with resources. Through surveys and information collected on graduates graduated from school has passed the actual work with the following comments:

Firstly, the graduates are still weak in basic scientific issues of accounting, auditing and other knowledge for auditing professional activities; not commensurate with the knowledge required of a bachelor working in the field of auditing; In fact, every year in Vietnam, there are tens of thousands of students who are trained in accounting and auditing, but cannot immediately meet the job requirements.

Secondly, the disadvantage of new graduates is poor compliance. Students also bring calculation books, which are very heavy when applied to real work. In addition to professional practice, students' skills in using information technology are almost absent. While accounting and auditing are industries and fields with early access to and use of information technology, replacing most professional jobs, accounting students have few opportunities to access. with learning applied informatics at work. Currently, there are very few university websites that are created by executable software such as accounting or auditing software. Therefore, the situation that graduates take a long time to learn and improve their implementation knowledge is a weakness in accounting and auditing human resources.

Thirdly, Although the bachelor of graduates is very weak in capacity to organize accounting and auditing work in a particular unit, although the unit is very small in size, less about accounting among accounting volume also. As audited in small-scale customer units. Therefore, when going out actually working, it is necessary to take some time to experience and experience the system thinking to organize accounting or audit, lack of creative thinking of one Bachelor of Accounting.

Fourthly, Bachelors almost do not have both knowledge and knowledge about the business and business environment of enterprises. Therefore, the assessment of the audited enterprise is only based on the financial information processed by the Accounting Department and provides. Therefore, the scope of audit incomplete, comprehensive as well as KTV confirmation opinions also contains many risk factors.

Fifthly, students majoring in accounting are generally weak in foreign languages and soft skills. Part of this situation is due to the fact that most of the students majoring in accounting take the A-level entrance exam (Mathematics, Physics, Chemistry) so they are still weak in foreign languages. In addition, the training of specialized foreign languages as well as soft skills has not been focused on in universities, or universities have only included formal curriculum. This will limit students' access to foreign language textbooks, documents, and information and will not meet the requirements of foreign businesses in Vietnam.

Sixthly, When working, students often have only trained techniques and manipulation to perform auditing activities. At the same time, it is not focused in improving practical understanding in many respects. In addition, the audit certificate exam has not been concerned because of the time of stressful audit. According to statistics, the number of ACCA members in Vietnam only reached about 800 people, very low compared to Singapore 8000, Hong Kong 18,000.

Seventhly, The auditor currently performs audit activities on the printed records and papers. While technological revolution haves metabolize that data into electronic data. Therefore, the grasp, understanding and the ability to use information technology is weak.

Thereby can be seen, the current situation of current human resources and the future may not meet the job requirement. This challenge also sets out for agencies in departments, training institutions and professional organizations in infrastructure investment, information technology development into education and professional activities.

4.3. Solutions to improve the quality of auditing personnel

In order to promote the role of independent audit as well as improve the quality of human resources auditing to meet the requirements in today's era, the next time it is necessary to synchronize the following solutions:

On the state side:

+ Continue to improve the legal environment of accounting and auditing activities. Accounting and auditing only operate effectively and develop strongly in complete and stable legal environmental conditions. Accordingly, it is necessary to study soon to improve the legal framework soon to create a stable legal environment, suitable for the development of independent auditing; Add regulations on regime responsible for providing material audit and compensation if information is misleading to protect users of audit information, emphasize the role, powers and responsibility with the auditor. With that, it is necessary to complete the legal documents on accounting and auditing in accordance with international standards and practices. Therefore, state agencies need to cooperate with experts from ministries, departments, branches, universities, professional organizations and organizations and professional associations at home and abroad

+ Must be built, planned and has a training strategy for an auditor fostering according to periods of 5, 10, 15 years and longer strategies. The strategy was built based on the status of accounting and auditing and issues due to the revolution of the digital technology; Focusing on developing ensuring synchronous and synchronous and synchronous operations, effective activities, quality, suitable to the market mechanism and adapting to scientific and technical advances of the digital revolution.

+ Develop strategies for developing human resources in accounting and auditing domains, which focus on innovation and strengthening the training of high-tech human resources; Increases the ability to apply information technology, build a team of auditors with full capacity, moral qualities, contribute to improving the competitiveness, shortening the gap difference in qualifications compared to the region and the world. In addition, the contents of the knowledge training program accordingly in each period, each subject, according to each audit target or audit organization. The development of human resources with high qualifications needs to have a national training strategy, especially at universities and academies. Along with human resource development, independent accounting modules also need to supplement and improve the standard system and auditing process; professional methods; Develop types of auditing and scientific and technical applications into auditing.

+ State and related agencies need to promote innovation and application of advanced science and technology, especially modern technology achievements invented from technological revolution 4.0 through strategic construction and planning Regarding information technology development in the field of auditing. Prioritize resources to develop new technology solutions, encourage innovative ideas and plans to apply and develop technical technology into auditing activities.

+ The State needs to expand its capacity and role of occupational organizations, enhance the quality of accounting associations, the National Council for Accounting, Accounting and Auditing experts, the auditor is practicing.

+ Strengthen management and control of auditing activities. The professional association also needs to strengthen the activities guiding the auditing and active operations to build a professional training and retraining program for accounting accounts, organizing and granting independent accounting certificates; At the same time, it is necessary to provide effective measures to monitor the implementation of professional ethical standards, as well as enhance audit quality.

+ Raising awareness about independent auditing activities. Promoting the role of transmission on the role and effect of independent auditing, for managers, investors, enterprises and the public to promptly capture information, contributing to promoting the development of toxic auditing and making in the current context.

+ The State needs to ensure auditing companies as well as auditors with competition within the legal framework, improve the capacity and strength of domestic auditing companies to promote the main role of state economy in the field of auditing. The State also needs to quickly acknowledge a career title of auditing professionals if they do not want the audit to be lagged compared to other countries in the region and the world.

+ Promoting international cooperation on auditing activities: With the strong development of international accounting organizations, auditing such as IFAC, INTOSAI, ASOSAI ... that Vietnam is a member, the exchange of experience, Global career skills are inevitable and that is also an important condition to help auditors, audit organizations and auditing associations of Vietnam to exchange career skills, approach Professional methods, new auditing operations and are growing strongly.

+ Continue to improve the legal environment of accounting and auditing activities. Accounting and auditing only operate effectively and develop strongly in complete and stable legal environmental conditions. Accordingly, it is necessary to study soon to improve the legal framework soon to create a stable legal environment, suitable for the development of independent auditing; Add regulations on regime responsible for providing material audit and compensation if information is misleading to protect users of audit information, emphasize the role, powers and responsibility with the auditor. With that, it is necessary to complete the legal documents on accounting and auditing in accordance with international standards and practices. Therefore, state agencies need to cooperate with experts from ministries, departments, branches, universities, professional organizations and organizations and professional associations at home and abroad.

On the school side and training organizations.

+ The school must have a selection plan suitable for the needs, high input quality, reasonable quantity. In the process of training, students are central to the active method in the knowledge of the knowledge. Need to renew the target and content of teaching, so that learners will have the recently modern and practical knowledge, both in the academic and academic and applied to foster and promote research and skills The occupation is in line with the requirements of the society's question.

+ The school needs to clearly identify the training objectives: professional training in both aspects of auditing science and auditing practice. At the same time, it is necessary to build a suitable training program and logical from the number of subjects, the next calculation between the subjects and contents of each subject to the evaluation of academic results. Particularly for audit teaching contents, it should be built according to each economic activity of the country. The training process must ensure the link between the theory of practice so that students can take a number of jobs and can minimize the training time. On the other hand, the training content needs to create students to form and promote other required skills for later audit work (the skill has been up to the above). In addition, morality, style, and career status also need to be mentioned and disseminated during the auditor training process.

+ The school needs to fully equip necessary facilities for teaching teachers and scientific research and students because this is one of the factors affecting teaching quality.

+ The school needs to take care of, fostering the team of "pink" teachers who are "specialized". The teacher must be the main man in the teaching process, and must be a high level of scientific and professional qualifications with the good qualities of a teacher.

In digital technology era, only by human clicks can access endless information and resources everywhere. Measuring that teaching and learning is now under the strong impact of technological revolution 4.0. Therefore, the lecturers' value is not only to communicate knowledge but also

guide and support students to manually orient in learning and helping students to adjust orientation on the quality and meaning of pine sources believe. Lecturers must be a professional educator, with creative minds, knowing criticism, independent thinking, active cooperation capacity and effective support between learners with what they want to know, are provided Wings Learn new for learners. Therefore, lecturers must converge 3 important functions: creative functions, critical functions, educational functions. In addition, lecturers must also create motivation, inspirational learning for children in learning and scientific research activities.

It is necessary to add that the audit sector is related to a lot of knowledge in many other subjects and other sectors, so it requires a fostering and updating knowledge for teachers to teach. At the same time, there must be a certain period of time for teachers to participate in reality to serve the overcoming and richer teaching. Especially in the context of technological revolution 4.0, the school needs to invest more in technology, advanced education, apply online training, network connection to relay the occupational capacity in the network connection system Nationwide and globally.

+ The school needs to identify and build a separate and professional the auditor training center to improve the quality of the audit. It is necessary to promote the role of the Association to organize the career in the training and training of human resources for auditing.

On the side of organizations, auditing companies:

+ Need to build regimes and management methods for the auditor. A mode, good management methods and professional auditing environments are important factors that contribute significantly to the quality of the auditor, so they can rest assured work, dedication and conditions to improve the level, business skills.

+ Vietnam's economy in the process of developing and integrating international economic with the strong impact of technological revolution 4.0. Therefore, economic activity arises many new macro and micro-financial financial problems and additional auditors such as budget estimates, programs and investment projects from sources aid and funding capital; implementing a commitment under the Protocols and Agreements of governments; National indicators according to international practices ... This fact requires auditing organizations to have innovations in both width and depth; At the same time, there must be access to scientific, technical and technological advances. Requires auditing companies to improve the capacity of the auditor, especially skills on understanding, exploiting and applying information technology into auditing activities. At the same time, strengthen the consultancy function of auditing, development, diversification of consultancy services of independent auditing enterprises. This is the motivation for the auditor to improve and develop itself to meet his job well.

+ It is necessary to have a close connection, rhythmic coordination with the auditor training institutions, professional organizations. Companies can get final year students to participate in the company's activities, helping students access early with the actual audit and vocational environment. This makes it possible for students and companies to exchange, apply and examine professional arguments learned in the school into the company's audit activities. Thereby there will be feedback to schools and cuffs with appropriate adjustments, ensuring the lighting of theory and science of practical activities.

+ It is necessary to participate in school activities and study in the school: Participating in the formulation of Auditing human resource training plan; Participate in writing expertise on the actual sense of auditing activities; participate in the actual audit report as well as the reply and provide updates on professional activities for students; participate in teaching for specialized auditing classes.

On the student side and auditor:

+ It is necessary to have a relatively wide and comprehensive knowledge and understanding in many areas and audit-related aspects. Actively access the actual accounting and auditing occupation activities to form audit knowledge in theory and practical aspects.

+ Constantly improving professional development by participating in professional advanced courses. At the same time, training its own creativity as well as learning and sharing experiences with colleagues. Today's era is the era of information so auditors have not only cultivated professional knowledge but also always update information about informatics, foreign languages and in the fields of science and technology as well as other society.

+ Need to regularly cultivate and train the quality of an audit officer, trained themselves visualization, independence, carefree, fairness, careful, diligent, responsible sense. There is always a bridge attitude, learning and casting practical audit experience. This contributes to help the auditor form audit skills for themselves as well as the substance to become a professional auditor.

In current conditions, the availability of a general scientific reasoning system as well as accounting science and auditing in particular is a necessity. However, to become a real and professional auditor, practical knowledge, career experience is an indispensable factor. The use of scientific reason in auditing combined with practical knowledge and experiences will allow precious lessons for the auditor in the future. This also contributes to the development of scientific reasoning as well as a more cognitive and right audit practice. Especially in economic transformation steps, many new and complex relations arise including in the perception and practicality of the market economy. Uncomplete legal systems, experiences and professional management professionals are not much, but must stand in front of a complex market mechanism for profit, competition, social and environmental nature, environment, current, Future, economic integration trends, multilateral investment and expanding economic relations. In that condition, to stabilize, maintain the discipline and ensure the right direction ... can only be conducted on the basis of synchronous construction, effective management tools which are indispensable the auditor. The field of development auditing, the key factor is to develop human resources for auditing. Therefore, the training of human resources for auditing and improving professional knowledge of professionalism, needles and skills for the auditor is an essential and urgent job in the current period and tomorrow.

Other solutions

The world in general and Vietnam in particular is in the context of the strong development of technological revolution 4.0 accounting-auditing field, it is necessary to make the most of the opportunities and overcome challenges and difficulties. In this situation, audit organizations and auditors need to pay attention to the implementation of some of the following solutions:

Learn and capture the application of technological revolution 4.0, into the general business management process and accounting process in particular. From the collection, processing and import of accounting documents to the process of processing, providing and analyzing information. Thereby seeing the characteristics of accounting information through the application of information technology to determine the audit approach to organize audit activities to achieve efficiency and quality.

Focus on network security issues. Need to invest, equip security and security solutions, regularly check and supervise compliance with security and security regulations; detect and promptly handle security vulnerabilities; improve financial capacity, unit management, especially risk management; Ensure the secret of accounting and auditing information of individuals, enterprises and organizations.

Investing in building modern infrastructure, strengthening regional and international integration to meet the requirements of high quality financial universalization for the economy; Developing diversified accounting-auditing services with high knowledge and high-tech content; improve access to accounting and auditing services of enterprises and organizations.

4.4. Conditions for implementing solutions

✓ Unify the relationship between the State, schools, audit organizations and professional organizations technological revolution 4.0 has been affecting all countries, businesses, educational institutions and people. In order to improve the quality of human resources, it is necessary to have a close link between parties, facilitating students who can effectively use equipment and technology to serve training and functionality. Career force for learners in the process of training and internship at the enterprise.

✓ Auditing organizations create conditions for schools and students to write their graduation topics and scientific research. Participate with training institutions in training programs, building materials for learning and scientific research, participating in evaluating the results of learning and scientific research.

✓ Need a close coordination between training establishments with audit agencies and organizations that use officials. This ensures the school in the draft training plan, fostering, and binding responsibility between the quality of training with the use of training products in auditing organizations.

✓ Strengthening international integration, cooperation, exchange, learning and experiencing experience of auditors in domestic and foreign audit organizations.

✓ There should be a close combination between training with the use of audit experts for the right place, in the right place, the right people, the right to promote high efficiency.

✓ Auditing organizations need to develop a short-term and long-term employer recruitment plan and collaborate with the training institution so that there are plans to use as well as appropriate retraining.

5. CONCLUSION

The Technological Revolution 4.0 is in the early stages, the hinge period for developing countries to keep up with the world trend. The technological revolution 4.0 is the foundation for a strong transition economy from a model based on natural resources and labor costs to knowledge economy; Make basic changes in concept of technological innovation and equipment in the production lines. However, factors are considered the advantages of developing countries including Vietnam such as young manual workforce, low cost will no longer. Therefore, in general management and auditing activities in particular, to make good use of the opportunity and overcome the risks and challenges from the Technological Revolution 4.0, the issue of human resource exploitation, especially building and developing high quality human resources is the problem being set for Vietnam. The field of accounting and development auditing will face the excess of manual labor and lack of high quality human resources. Therefore, the training and improving the quality of human resources in general and auditing activities in particular, the state management agencies, laborers for employers, professional associations and training institutions need to be determined to be necessary and urgent. The concern and implementation of issues such as: legal system of auditing accounting; Scale and quality of human resource training of higher education institutions and the ability to meet the requirements of enterprises and labor markets; Knowledge, skills and qualities needed for auditing human resources in the context of globalization, international integration and impact of technology revolution 4.0; Cooperation between training institutions and auditing enterprises in program development and development; inspection of training quality, ensuring standard output; Cooperation between training institutions and enterprises in career consultancy, training, organizing and practicing organizations; Advice and start-up support; Job creation for students ... with synchronously implementing solutions in many aspects and are done by relevant parties, hoping human resources for independent auditing activities will be dated Meeting the current job requirement and the higher and higher international labor trend./.

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ACCOUNTING IN THE AGRICULTURAL SECTOR IN VIETNAM

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Abstract: Vietnam is a country having an advantage in agriculture. In recent years, with the targets to modern agriculture and sustainable development, Vietnamese agriculture is attracting both local investment and foreign investment. Transparency of information on financial statements as well as creating confidence for investors is always the top concern of the state to attract capital investment in high-risk fields such as agriculture. For agricultural enterprises, biological assets usually account for a large proportion of total assets, but in Vietnam there is currently no accounting standard for the agricultural sector. This problem has significantly affected on the recognition and presentation of the agricultural enterprise's asset value. The topic focuses on studying regulations in agricultural accounting in Vietnam at the moment, especially the differences in the recognition of biological assets and biological products when applying Vietnamese accounting standards (VAS), the Vietnamese accounting system and the international accounting standards on agriculture (IAS41) to make transparent in financial information of enterprises as well as remove barriers, thereby helping agribusinesses to attract cheap capital sources from both domestic and international market.

Key words: IAS41, agribusiness, biological assets, accounting.

1. INTRODUCTION

In the economy, agriculture is the industry that plays an important role in supplying food to feed people. In Vietnam, agriculture is an important economic sector which contributes a large proportion of GDP. Along with the development of the economy, agricultural activities have gradually shifted from small-scale production to large-scale and modern production. Therefore, it is necessary to have many tools for management, in which accounting is one of the indispensable tool for business management and administration. Up to this point, agriculture was the only industry selected by the International Accounting Standards Board (IASB) to draft accounting standards. International accounting standards on agriculture were promulgated and took effect on January 1, 2003. This shows that the agricultural sector plays an important role in the economy not only in developing countries like Vietnam but also in developed countries. Currently, the enterprises operating in the agricultural sector has not had accounting standards issued separately in Vietnam, but this accounting regime applies to enterprises of all fields of activity and all economic sectors in the country. This makes it difficult for businesses operating in the agricultural sector in particular and for the management of state agencies in general.

The current Vietnamese accounting standards do not have accounting standards for agriculture, so the accounting in agricultural enterprises is governed by accounting standards such as inventory accounting standards (VAS 02) – for biological assets that are not yet eligible to be recognized as

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fixed assets. For biological assets that are eligible to be recognized as fixed assets, they are tracked through three criteria: historical cost, accumulated depreciation and residual value according to tangible fixed asset accounting standards (VAS 03)). Therefore, studying the international accounting standard No. 41 - Agriculture is necessary to further improve the accounting regulations in the agricultural sector in Vietnam together with being in line with international accounting practices...

2. METHODOLOGY AND PROPOSED MODEL

Documentary research methods: Focus on studying documents on agricultural accounting and international accounting standard No. 41 – Agriculture and related International Accounting Standards; learn the guidelines for the implementation of international accounting standards and current accounting regimes according to Circular 200/TT/BTC dated 22/12/2014; Researching legal documents related to agricultural transactions.

Methods of classification and theoretical systematization: Classification is the arrangement of scientific documents according to each side, each unit, each problem with the same essential signs and the same development direction. Systematization is the arrangement of knowledge into a system based on a theoretical model that makes the understanding of the object more complete.

3. RESEARCH RESULTS

3.1. Analysis of some specific regulations under IAS41

➤ The method to recognize and measure

Value recognition: Under this standard, an enterprise recognizes a biological asset or an agricultural product if and only if: they control the asset as a result of past events: it is probable that income future economic benefits associated with the asset and: the fair value or cost of the asset can be measured reliably. In the first condition, property control is mentioned, this can be understood as follows: in agricultural operations, the nature of control can be demonstrated by legal ownership. For example, marking livestock or other way of marking livestock purchased, born or weaned.

Measurement: According to the standards, a biological asset is recognized at the time of initial recognition and at the end of the reporting year at fair value less costs to sell. Except for the case described in paragraph 30 when the asset cannot be reliably measured. Agricultural products obtained from a company's biological assets are measured at fair value less cost of sale at the time of harvest. It is seen that in the above method of recording, all emphasis is placed on the fair value, so how is this value to be understood? There is an assumption that fair value can be reliably measured for a biological product. However, this assumption can be refuted only on the initial recognition of the biological asset for which market transaction prices are not available and where alternative fair value measures have been determined to be unreliable. In this case, IAS41 requires the business to measure the biological asset at cost less accumulated depreciation and accumulated loss. When the fair value of the biological asset can be reliably measured (agricultural product at harvest), the business should measure the product at fair value less cost to sell. Thus it can be seen

that this standard assumes that the fair value of agricultural products at the time of harvest can always be reliably determined.

➤ Government subsidies for agriculture

The second major focus of this standard is how to recognize and measure an unconditional grant associated with a biological asset. Accordingly, a biological asset measured at fair value less costs to sell will be recognized in profit or loss if and only if the allowance becomes a receivable. In addition, a government grant is tied to conditions relating to a biological asset that are measured at fair value less cost of sale. For example, when a government subsidy that requires a firm not to engage in agricultural activity has been determined, the enterprise will recognize the subsidy in profit or loss if and only if, associated with the subsidy are satisfied. However, the terms and conditions of government grants vary widely. For example, a grant may require a business to cultivate a certain site for 5 years and require the enterprise to repay all subsidies if farming is less than 5 years. In this case the allowance is not recognized in profit or loss until 5 years later. However, if the term of the grant allows a portion to be retained over time which has expired, the enterprise recognizes that portion in profit or loss when the period expires. If a government subsidy is related to a biological asset measured at cost less accumulated amortization and accumulated loss or damage, then the enterprise applies international accounting standards IAS20 – Accounting for Government Grants and Disclosure of Government Assistance.

➤ Disclosure in financial statements

This Standard requires an enterprise to disclose the total profit or loss incurred during the current period. It is recognized on initial recognition of biological assets and agricultural products from the change in fair value less cost of sale of the biological asset. The business provides a description of each biological asset class. This disclosure may, upon request, be in the form of a written description or a quantitative description. If information is not disclosed elsewhere when issuing financial statements, an enterprise should describe: the nature of the activity associated with each biological asset class; non-financial measures or quantitative estimates of each class of biological assets at the end of the period; and results of agricultural products for the period. The enterprise will have to disclose: the existence and carrying value of the biological asset is limited, the use value of the mortgaged biological asset as security for the debt; the value of commitments to develop or acquire biological assets; and Strategy for financial risk management related to agricultural activities. In addition, the enterprise will present a reconciliation of the change in realized value of the biological asset from the beginning to the end of the current period. The balance sheet includes: Gain or loss arising from change in fair value less selling expenses; Increase due to purchase; Decreases due to sale and biological assets classified as held for sale (or placed in a liquidation class which is classified as held for sale) in accordance with IFRS5; Reduced due to harvest; Increase due to business combination; Net exchange differences arising from the conversion of the financial statements into another presentation currency and from the conversion of operations into the reporting currency by the reporting entity; and Other Changes. Through the published regulations as above, it can be seen that the standard is very interested in the issue of changing the fair value of agricultural assets. Any related increase or decrease must be

reported in the report. This is completely reasonable because investors are often interested in all the information in the financial statements to make the right investments.

3.2. The application of IAS 41 in agricultural accounting in Vietnam currently

The application of IAS41 in agricultural accounting in Vietnam can be assessed as follows:

Firstly, by the end of 2016, the Ministry of Finance has developed a roadmap to apply IAS/IFRS to Vietnam, but so far Vietnam has not announced or committed to apply IFRS/IAS, so IAS41 has not been applied in Vietnamese accounting.

Secondly, the fair value accounting model has not been appeared in the Vietnamese accounting system before, the concept of fair value was officially mentioned when the 2015 accounting law was promulgated,.

Third, because the development of enterprises in the agricultural sector in Vietnam is still in the early stages, the number of these enterprises is not much, and there is no active market related to the agricultural sector, so the Applying IAS/IFRS in general and IAS41 in particular in this field is still very difficult. Accordingly, the recognition of biological assets and agricultural products in Vietnam is being applied under VAS02 - Inventories (applicable to unharvested products recognized as work-in-progress, finished products). harvested products are recorded as finished products) and VAS 03 - Tangible fixed assets (whereby biological assets are also tracked based on three criteria: cost, accumulated depreciation and carrying value.), biological asset records, as well as agricultural products based on the historical cost principle.

Fourth, with the characteristic of being an agricultural country, there are not many professional development plans and production models in Vietnam. Therefore, research on applying IAS41 or issuing separate accounting standards on agriculture is still an issue that needs to be considered and studied carefully by policy makers.

Thus, in the coming time, should Vietnam apply International Accounting Standard IAS41 or develop a separate Vietnamese accounting standard on agriculture or keep the current agricultural accounting method? It is a great concern to state management agencies, to accounting practitioners and research professionals. The article raises some issues as below:

Issue 1: The reason why Vietnam does not have a separate accounting standard for the agricultural sector, the major reason is that the number of listed agricultural enterprises is small, the industry size is quite small (less than 5% of the market capitalization) so accounting issues in the agricultural sector have not been taken seriously. In addition, there are a number of other causes leading to this situation, such as:

(i) The market and distribution channels in Vietnam are fragmented, small, poorly preserved, etc., making the value of agricultural products not high;

(ii) The vast majority of agricultural products belong to the household sector - an area where accounting is not used, and there is no need for complicated and difficult international standards.

Issue 2: Although IAS 41 has been applied in many countries around the world, but there are some main obstacles that prevent it applied in Vietnam. The biggest obstacle comes from the market: Vietnam lacks active markets and liquidity as the basis of fair value valuation for

biological assets and agricultural products. In addition, the cost to measure and track biological assets at fair value at the end of each financial year or each interim reporting period may outweigh the benefits achieved so it is also a major barrier.

Issue 3: The need to apply IAS 41 in the agricultural sector in Vietnam. There are two opposing views when assessing the need to apply IAS 41 in the agricultural sector in Vietnam:

+ The first line of opinion: Vietnam needs to develop accounting standards on agriculture, towards the application of IAS 41. The reasons given include: Vietnam is an agricultural country it is necessary to not have a separate VAS. In addition, the application of IAS 41 helps to solve the limitations of VAS 2 and VAS 3 for biological assets and agricultural products, overcome the lack of information. Thereby, it increases revenue as well as attracts foreign direct investment (FDI) and follows the trend of international integration in finance, accounting and agriculture.

+ Second line of opinion: Vietnam does not need to develop accounting standards on agriculture together with moving to apply IAS 41 due to: The number of listed agricultural enterprises is small, the scope is narrow and the practice is difficult to implement. ; IAS 41 should only be applied and really effective in developed countries, or Vietnam can develop a new accounting standard in the agricultural sector to suit domestic socio-economic conditions. In addition, experts said: feasibility, necessity and effectiveness show that it is not time for Vietnam to issue and apply this standard.

Issue 4: The choice of the State management agency on accounting activities is under the pressure of financial information transparency and the trend of integration with IFRS/IAS. 79% of experts believe that the state management agency should develop a new standard of agricultural activities based on IAS 41, it helps creating conditions for Vietnam to slowly accept IAS 41. The choice of direct application IAS 41 or issuing a separate Vietnamese standard on the basis of IAS 41 depends on the strategy of the Ministry of Finance for the entire system of Vietnamese accounting standards. Two of the barriers to the full application of IFRS in Vietnam are: language and professional practice habits of accountants (IFRS is based on principles, while the Vietnamese accounting system is based on rules). Therefore, a general direction drawn from a number of countries that have applied is to allow direct application of IFRS but still issue national standards in the direction of closely following IFRS; and in order to issue a new standard based on IAS 41, Vietnam needs a suitable roadmap from survey and assessment in the process of research implementation.

Issue 5: The necessary basic conditions for Vietnam to apply IAS 41: Vietnamese accounting standards need to recognize and put into use the fair value accounting principle. In addition, there is a need for an active and liquid market to create a reliable reference base, to measure fair value reliably for biological assets and agricultural products, to have high-quality human resources having the ability to understand and apply International Financial Reporting Standards IFRS in general and IAS 41 in particular. Further, the Government should continue to issue and implement preferential policies to encourage businesses develop agriculture, move towards listing on the exchange, expand the industry scale, create competitive pressure and increase opportunities for international integration. In addition, an appropriate roadmap (both in the short and long term) is required for the application of this Standard.

Issue 6: Assess the applicability of IAS 41 in Vietnam. Based on the above necessary basic conditions, experts agree with the option that Vietnam can apply IAS 41 but it takes time to complete the conditions. It is necessary to develop an appropriate roadmap to put IAS 41 into practice in accordance with domestic conditions. Thus, the majority of experts agree that Vietnam is necessary and capable of applying IAS 41, and Vietnamese Accounting Standards are also tending to amend and supplement in the direction based on Financial Reporting Standards. IFRS/IAS, creating an accounting basis in line with international practices.

4. DISCUSSION AND CONCLUSION

4.1. Orientation to improve agricultural accounting in Vietnamese accounting

Considering the current agro-economic conditions, Vietnam should not fully adopt IAS 41 immediately. However, it is necessary and feasible to issue an agricultural accounting standard based on the selective application of IAS 41. That helps businesses gradually adapt to the new accounting method for agricultural assets according to international standards, towards the full application of IAS 41. It creates a foundation for expanding trading relations on the world agricultural product market, increasing the ability to attract FDI capital for investment in Vietnam's agricultural industry with the purpose of helping to promote the real strengths of the industry.

- Vietnam needs to innovate VAS according to IFRS / IAS, promulgate Vietnam Agricultural accounting standards based on IAS 41 what lead to gradually apply IAS 41. The paper provides some orientation on roadmap develop and apply new accounting standards on agriculture as follows

+ Short-term orientation

✓ Conducting propaganda work, disseminating, training, and strengthening seminars to raise awareness and create consensus on the development and use of fair value to those preparing and using financial statements.

✓ Having preferential policies to promote investment in the agricultural sector, organized agricultural activities, and appropriate planning

✓ Adjusting the Accounting Law, General Standard (VAS 1), issuing guidance on recognition and measurement of assets at fair value.

✓ Improve infrastructure and administrative procedures to attract foreign investment in the agricultural sector

+ Long-term orientation

✓ Train a high-quality workforce who can understand and apply international standards

✓ Promulgating fair value measurement standards and specific standards for the agricultural sector (in the direction of applying IAS 41)

✓ Invest to research the Vietnamese agricultural market, complete an active and liquid market system for biological assets (by applying electronic exchanges, futures trading,...); at the same time synchronizing the legal corridor on business

Thus, with the trend of Vietnam's integration into the world economy, specifically by joining the WTO, signing free trade agreements (FTAs), and other international agreements, trade activities and Investment between Vietnam and other countries has been facilitated and also put pressure on standardizing accounting methods in enterprises of all fields, including agriculture. The difference in the current accounting method for biological assets and agricultural products in Vietnam compared to other countries in the world has created barriers and challenges in the process of economic integration and development. . Therefore, it is necessary and feasible to issue a separate accounting standard in the agricultural sector based on the application of IAS 41 in Vietnam.

4.2. Solution

Firstly, Vietnam can choose to apply IAS41 in one of two ways, that is: Declaration of application of IAS41 or application of each of these IAS standards in turn. The benefits that each form of application brings is:

The declaration of application of IAS 41 will help Vietnamese accountants regularly update the changes of IAS41; At the same time, it saves costs in compiling, rebuilding or rebuilding the standard.

However, the application of IAS 41 in particular, as well as IAS/IFRS in general, is difficult to apply in Vietnam, because currently IAS/IFRS is not compatible with Vietnamese laws and accounting standards. Besides, the number of accounting staff in enterprises who can read and understand IAS/IFRS in Vietnam is not much. In addition, Vietnam's information sharing system has not yet met the demand for the full application of IAS/IFRS.

With the approval of partial application of IAS41 standards, it will help businesses not have to spend time in reading and choosing applicable standards when preparing financial statements according to IAS/IFRS. However, the disadvantage of approving the partial application of IAS/IFRS standards is that it is not possible to promptly update the changes of IAS/IFRS; causing costs in the organization of approval. It is necessary to invest in human resources to perform this task well.

Regardless of the choice of application method, there are always certain benefits and difficulties, according to which the Department of Accounting and Auditing Regulations should consider to advise the Ministry of Finance to choose the appropriate method for Vietnam as well as the benefits brought compared to the costs spent is the most optimal.

Secondly, the application of IAS/IFRS or IAS41 requires specific and effective planning to avoid confusion for businesses and accountants. The plan needs:

- Determine a detailed application roadmap: apply to the public interest sector and foreign-invested sector first, then expand to businesses that need to attract or need to borrow foreign capital. .
- Identify issues related to the application of IAS/IFRS such as information transmission system, upgrade of accounting software system to international standards, accounting qualification training, IFRS implementation training, implementation costs.
- Develop mechanisms of actions, policies and strict supervision framework to allow enterprises to apply IFRS.

- Examine the application of IFRS in the business after the application deployment plan.

Third, regardless of the choice to apply IAS41 in any form, the problem of solving the problem involves training the accounting team, the team of auditors and other staff. They must have an understanding of IAS to be able to implement and apply in the organization the Financial Reporting system, as well as check the information on these reports.

Fourth, although the number of enterprises operating in the agricultural sector is not much, in the future, this number will certainly increase. Therefore, during the period when the Ministry of Finance is studying and revising the system of 26 accounting standards in 2001, it is possible to combine research, development and issuance of additional accounting standards on agriculture. That can help these businesses account for biological assets and agricultural products at their fair value instead of the current cost. It is necessary to combine guidelines for recording and measuring the value of biological assets in their life cycle (with 3 main stages of formation, growth and degradation) in the most complete and favorable way.

Fifth, it is necessary to promote the convergence of the IFRS system, which refers to the use of fair value as a key measurement basis. It enhances the appropriateness of the information presented in the financial statements.

At the same time, Vietnam needs to have regulations on measurement of fair value in which, the fair value is the "output value" of the asset or liability instead of VAS 01. Currently, VAS 01 only provides the original price principle. The use of historical cost as the primary measure can achieve reliability but reduce the relevance of the information provided by the financial statements. In the near future, the study and building of the theoretical basis and the conditions and methods of applying the "Principle of Fair Value" will become an issue that needs to be seriously considered and implemented by Vietnam.

Sixth, in order to promptly respond to the development and innovation of the economy, it is necessary to promulgate early five standards that affect objects and transactions arising in economic life, including: Share-based Payment (IFRS 02); Exploration for and Evaluation of Mineral Resources (IFRS 06), Financial Instruments (IFRS 7; IFRS 9), Financial Instruments (IAS 20), Impairment of Assets (IAS 36). Some standards also need to be promulgated in the near future such as: Assets held for sale or discontinuous business activities; Employee welfare; Agriculture...

Seventh, Vietnam needs to gradually continue to improve the economic and legal environment in accordance with the requirements of the IAS/IFRS. For example, a financial transaction market needs to be "transparent" and "active" so that fair value can be used as a basis for measuring asset values....

CONCLUSION

Currently, Vietnamese accounting standards still have many points that are not completely in harmony with international accounting standards. The main difference between VAS and IAS/IFRS is the difference in the basis of asset measurement on the basis of fair value and the issue of information disclosure. The harmony between VAS and IAS/IFRS has direct causes and causes

of social, economic and legal factors. In general, between VAS and IAS/IFRS, Vietnam chooses the model of selective application of IAS/IFRS as a basis to build its own accounting standard system, which is a reasonable choice. In the coming time, to meet the requirements of international integration in accounting, in line with the country's economic integration process, Vietnam needs to take urgent and long-term solutions including direct solutions to the system of accounting standards and solutions to the legal economic environment.

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POLICY-ORIENTED RECOMMENDATIONS TO CUSHION THE IMPACT OF COVID-19 ON MSMEs IN THE PRIVATE SECTOR

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Abstract: *In Vietnam, the development of Micro, Small & Medium Enterprises (MSMEs) in the private sector has been discussed extensively during the past decades, but has yet to be reviewed through the lens of the current global pandemic crisis. The paper is broadly divided into three main parts. The first part provides a brief profile of the MSMEs in the private sector in Vietnam and indicates the importance of MSMEs in the economy. The second part analyzes the impact of coronavirus pandemic (COVID-19) on MSMEs and the Government's policy response pertaining to MSMEs in the private sector. Building on the analysis, the third part provides specific recommendations on additional support policies to help MSMEs in the private sector in Vietnam.*

Keywords: *MSMEs; private sector, COVID-19, policy-oriented recommendation.*

1. INTRODUCTION

In the context of Vietnam's economic growth story, the contribution MSMEs is vital, estimated in 2020 to account for more than 97 per cent of all businesses, contributing 40% of the GDP, 33% of industrial production value, 30% of exports and creating jobs for 50% of the labor force. Nevertheless, the development of the MSMEs has been threaten by the unprecedented impact of the COVID-19 pandemic that has been felt across Vietnam since the Lunar New Year 2020. After considerable success in combating the pandemic during 2020, new COVID-19 wave since May 2021, with a significant pickup in reported daily new cases, is posing downside risks to Vietnam's economy. Although the Government has deployed quarantine measures as well as vaccination campaigns, and put in place a number of fiscal and monetary policies to support businesses that include: Reduction of electricity price for the manufacturing and business sectors, labour policy package, credit policy package, tax and rent support, the pandemic has expectedly had a far reaching impact on the business community and the intensity of its effects has not been well understood.

Given the uncertainty surrounding the timeline and full impacts of COVID-19, the strain on all businesses are increasingly being felt. In response, The Government has implemented COVID-19 emergency support measures, founders and entrepreneurs have been gradually looking for adaptive and innovative solutions to protect and pivot their business operations. As the initial catatonic-like shock of COVID-19's impact starts to lessen, enterprises are in search of business solutions that can equip and support them in the post-COVID-19 "new normal". Additionally, it

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is a matter of urgency for the policymakers to continue to explore ways of improving the business enabling environment for MSMEs.

2. BRIEF PROFILE OF THE MSME IN THE PRIVATE SECTOR IN VIETNAM

In Vietnam, being considered as MSMEs, businesses are required to meet criteria such as the number of employees, the fixed assets, management skills, applied technology production capacity, economic growth, total sale turnover and the unique issues experienced by MSMEs. According to the stipulation of Decree No. 56/2009/ND-CP of Vietnam in August 2009, MSMEs are identified based on the strength of total capital and labor scale across different industries.

Table 1. SME categories in Vietnam.

	Micro Enterprise	Small Enterprise		Medium Enterprise	
	Number of Laborers	Total Capital	Number of Laborers	Total Capital	Number of Laborers
Agriculture, Forestry and Fishery	≤10	≤20 bill VND	11–200	≤100 bill VND	201–300
Industry and Construction	≤10	≤20 bill VND	11–200	≤100 bill VND	201–300
Trade and Service	≤10	≤10 bill VND	11–50	≤50 bill VND	51–100

Source: Vietnamese Government's Decree No. 56/2009/ND-CP.

In the newly established Law on Facilitating SME sector (No. 04/2017/QH14), an enterprise is considered a SME if it meets either of the following criteria: (i) total capital should not exceed VND 100 billion; or (ii) total turnover of the preceding year should not exceed VND 300 billion. In addition, micro-, small-, and medium-sized enterprises are identified differently in the fields of agriculture; forestry and fishery; industry and construction; trade and services. Specific criteria of each enterprise category are stipulated in Decree No. 39/2018/ND-CP of Vietnam in March 2018.

SMEs play an important role in expanding economy, creating careers, contributing to diversify the products, supporting economic development, and transferring the business structures. Over the past decades, SMEs' growth has quickly accelerated and become the dominant part among businesses. SMEs supply the market with many products in all fields, create more product alternatives, meet all the needs of consumers, thereby elevate the economy. In addition, this type of business, noticeably, can contribute a great deal to the government tax.

Ever since Vietnam embarked on its economic reform drive, "Doi Moi", in 1986, developing the SME sector has consistently been regarded by policymakers as a critical component of that process. The consensus view in Vietnam's policymaking circles is that SMEs are an important source of economic growth, job creation and income generation. To that end, Vietnam has proactively sought to design and enact policies intended to support the development of a vibrant SME sector, and where necessary, enacting supportive legal and regulatory measures, and various economic stimuli.

In Vietnam, the Annual Business Report 2020 released by the Vietnam Chamber of Commerce and Industry claimed that Vietnam experienced a remarkable growth in the number of new enterprises registered. Over the past decades, SMEs' growth has quickly accelerated and become

the dominant part among businesses. SMEs supply the market with many products in all fields, create more product alternatives, meet all the needs of consumers, thereby elevate the economy. In addition, this type of business, noticeably, can contribute a great deal to the government tax. The rise in MSME numbers in Vietnam have been both organic and as a result of informal businesses shifting to “legalize” their activities through formal registration, aided in part by various iterations of the Enterprise Law and a host of regulatory and fiscal reforms over the last three decades. Job creation has been an important driver of SME development in a country with a large, growing and relatively young labour force entering Vietnam’s employment market each year.

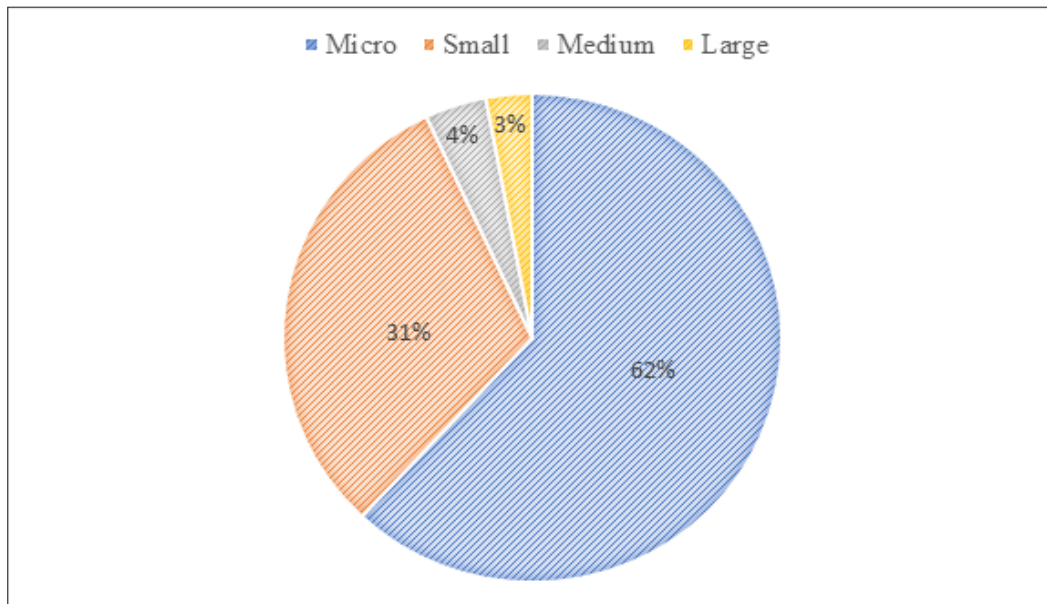


Figure 1: Proportion of MSMEs in 2020

Source: Vietnam Chamber of Commerce and Industry, Annual Business Report 2020

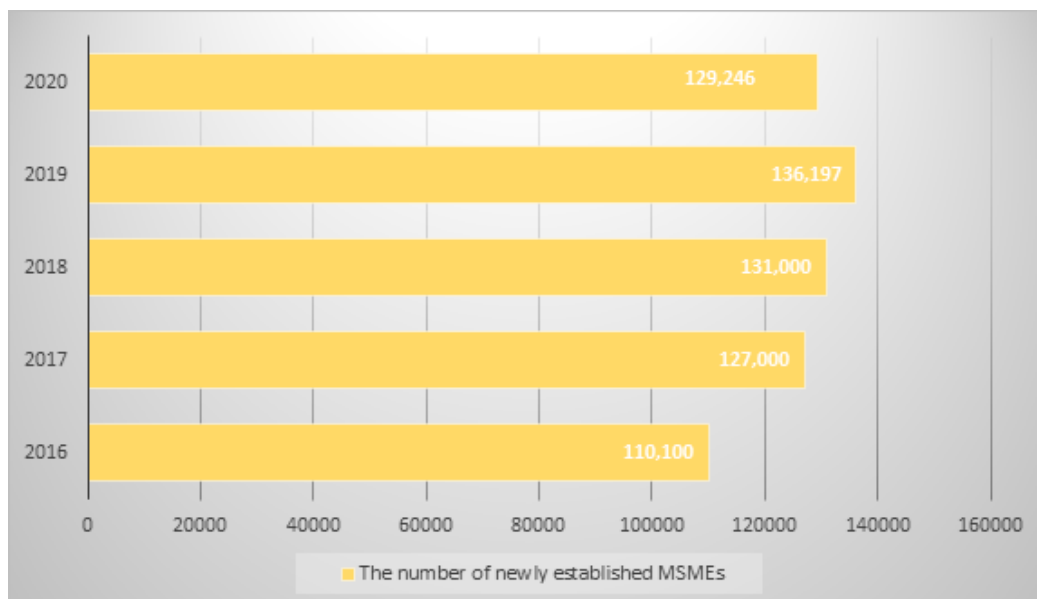


Figure 2: The number of newly established MSMEs

Source: The Vietnam Association of SMEs

Between 2005 and 2015, the number of private enterprises grew from 2.7 million to 5.1 million. During that decade, the number of non-state enterprises also increased almost fivefold to pass the 400,000 mark, and the number of household enterprises rose by 78 per cent. The number of non-state enterprises has continued to grow, reaching 591,500 in 2018, of which 16,878 (2.8 per cent) were foreign-invested enterprises. A significant state-owned enterprise (SOE) sector continues to operate in Vietnam and dominates in a range of strategic and semi-strategic sectors, including commercial banking, communications and transport, and utilities. As of July 2019, there were approximately 5.4 million non-farm enterprises operating in Vietnam, of which 82.1 per cent were in trade and services, and 17.9 per cent were in industry and construction.

The character of the MSME sector is typically a mix of relatively conservative and risk-averse business endeavors, often built around a traditional family ownership structure, through to more dynamic and innovative enterprises, with more ambitious growth aspirations and a greater appetite for informed risk. As with the MSME sector in all economies, there tends to be a high turnover of companies, particularly for start-ups, with around 10 per cent or more businesses expected to close each year. However, MSMEs all share a business enabling environment that, while improving, remains challenging, as evidenced and measured by the World Bank's annual Doing Business survey. Moreover, there are legal gender differences which persist and influence the gender-responsiveness of the business environment for women's entrepreneurship, as well as employment.

3. THE IMPACT OF COVID – 19 PANDEMIC ON MSMEs IN PRIVATE SECTOR IN VIETNAM

The COVID-19 outbreak which originated from Wuhan city, China has widely expanded to 221 countries¹ and had been declared as a public health emergency by the World Health Organization.

The impact of COVID-19 on businesses has been wide-ranging, dependent on a large variety of factors, such as, but not limited to: i) the business sector in which they operate; ii) the financial strength of the firm; iii) the degree of reliance on steady cash flows; and iv) cost structure.

According to the online survey participated by 220 Vietnamese MSMEs by the Agency of Enterprise Development, Ministry of Investment and Planning (AED-MPI), Government of Vietnam and the United Nations, Economic and Social Commission for Asia and the Pacific (ESCAP), more than 80 per cent of surveyed MSMEs reported that the impact of COVID-19 on their businesses was either bad or very bad. On a sectoral basis, the perceived impact of COVID-19 has been surprisingly uniform, as indicated in the figures immediately below. The only slight differentiation that can be discerned across the three sectors is that MSMEs surveyed in the agriculture, forestry and fisheries had fewer enterprises reporting a neutral impact, and more enterprises reporting a net positive impact, compared with no enterprises in manufacturing and construction seeing a net positive impact. This is likely to be a consequence of increases in demand, and therefore prices, for staple goods, such as food items. Nonetheless, it remains the case that across all three main sectors, roughly four out of five MSMEs deemed the net impact of COVID-19 to have been adverse: COVID-19 has generally been a "sector agnostic" crisis for MSMEs in Vietnam.

¹ The Committee for the Coordination of Statistical Activities CCSA (2021) - How COVID-19 is changing the world: a statistical perspective Volume III

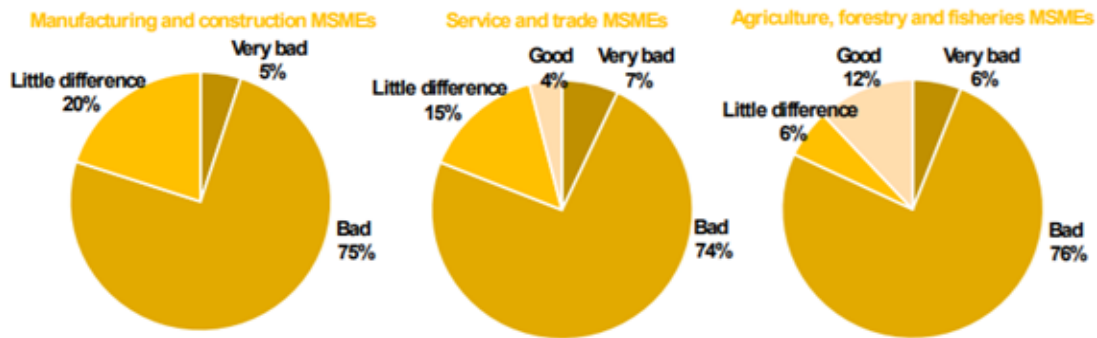


Figure 3: Impacts of COVID-19 for MSMEs

Source: United Nations, ESCAP, Ministry of Planning and Investment, (2020), Assessment of the Impact of COVID-19 on MSMEs, and especially women-led MSMEs in Viet Nam

Due to the impact of COVID-19, just over a quarter (28 per cent) of surveyed MSMEs reported they had been obliged to partially halt or scale back their business operations, and an additional fifth (18 per cent) had to temporarily suspend all business operations.

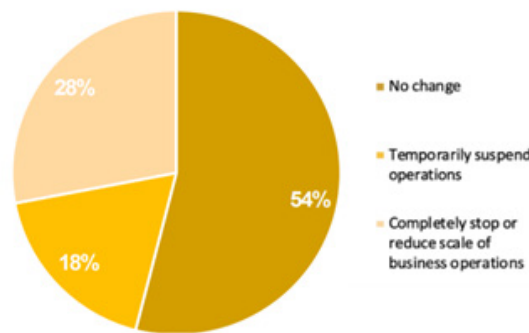


Figure 4: MSMEs' operating status due to COVID-19

Source: United Nations, ESCAP, Ministry of Planning and Investment, (2020), Assessment of the Impact of COVID-19 on MSMEs, and especially women-led MSMEs in Viet Nam

The COVID-19 pandemic has caused numerous difficulties for MSMEs, many of which are interrelated. Overall, COVID-19 has caused three broad difficulties for Vietnamese MSMEs:

Firstly, business activities have decreased, along with aggregate demand. No less than 96 per cent of respondents reported that they had seen a contraction in their profit margins. A further 50 per cent or more reported: i) disruptions to their business activities stemming from the virus, and various policy measures such as travel restrictions, social distancing rules and other protocols enacted to try and arrest the spread of the virus; and ii) delays in payments and declines in revenues, as clients and customers sought to defer payment, and/or negotiate a drop in prices. Just over a third (36 per cent) of MSMEs surveyed reported that clients and customers were cancelling contracts or bookings, over half (51 per cent) of enterprises were experiencing late payments from customers and clients, and a further 31 per cent reported that customers were seeking to re-negotiate down prices.

Secondly, shortages of working capital for production and business. Forty-two per cent of enterprises reported being short of working capital and facing difficulties in covering their operational

costs. MSMEs in particular tend to be highly reliant on cash flows to meet their expenditure needs, as they lack the depth of balance sheets, and ready access to external capital, to help finance their operations. Thus, when demand for their offerings declines, and revenues contract as a result, this rapidly becomes a cash flow crisis. It therefore comes as little surprise that the single most common impact has been on “the bottom line¹”, as profit margins have been hollowed out.

Thirdly, firms have been facing labour shortages, due in part to the need to furlough non-essential staff, in a bid to reduce costs. Roughly a third (33 per cent) of MSMEs surveyed said that they had been forced to cut the number of employees, and a similar proportion (34 per cent) of enterprises said they were experiencing labour shortages. The picture here seems to be that many companies have been obliged to cut back their staff to skeleton staffing levels, in a bid to get the aggregate wage bill down. But as a result, MSMEs are struggling to maintain business operations, and it also means that they could be poorly positioned to ramp up activities again as-and-when market demand improves, and orders resume.

Interestingly, only a relatively small proportion of firms cited difficulties with input supplies, whether from domestic or overseas sources (14 per cent of enterprises reported a shortage of domestic inputs, and 7 per cent reported a shortage of imported inputs). This is likely to reflect the fact that most MSMEs doH not have extended or complex supply chains, unlike larger firms, and therefore are less vulnerable to supply chain disruptions, such as those caused by COVID-19, including the closure of borders and various transport restrictions interrupting cargo traffic and logistics. As such, one can largely view COVID-19’s impact on MSMEs in Vietnam as being primarily a demand-side shock, rather than a supply-side shock, with the resulting consequence for their cash flows, revenue streams and diminished profit margins.

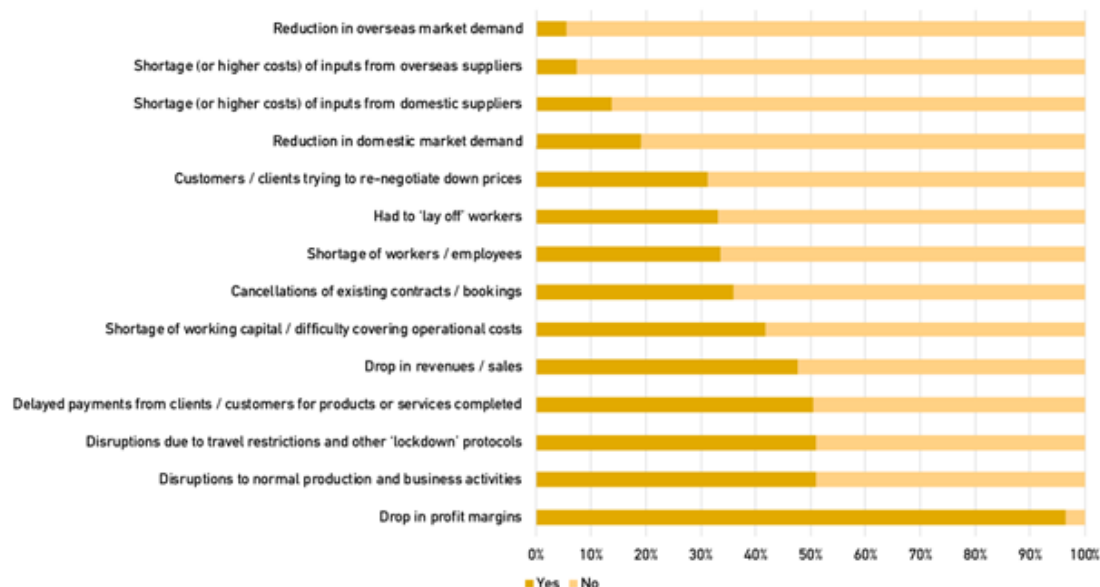


Figure 5: Challenges of COVID-19 for MSMEs

Source: United Nations, ESCAP, Ministry of Planning and Investment, (2020), Assessment of the Impact of COVID-19 on MSMEs, and especially women-led MSMEs in Vietnam

1 The final line in the accounts of a company or organization, stating the total profit or loss that has been made

4. MEASURES TO SUPPORT ENTERPRISES ADVERSELY IMPACTED BY COVID-19

The Vietnamese Government has used drastic measures to support enterprises adversely impacted by COVID-19. The packages of Government support designed to assist them to overcome difficulties, stabilise and restore production include:

- ***Reduction of 10% in the retail price of electricity for the manufacturing and business sectors***

The retail price of electricity for the manufacturing and business sectors was discounted by 10% during peak, normal and off-peak hours from April to June of 2021, as specified in Document No. 2698/BCT-DTDL dated 16 April 2020 of the Ministry of Industry and Trade.

- ***Labour policy package***

The Government's Resolution No. 42/NQ-CP, 9 April 2020, on measures to support people meeting with difficulties caused by COVID-19, and Prime Minister's Decision No. 15/2020/QD-TTg, 24 April 2020, on its implementation, stated that employers with financial difficulties were entitled to loans from the VBSP with a zero interest rate, intended to pay the salaries of employees that have had to stop working. The General Director of VBSP issued Document No. 2129 / HD-NHCS in late April 2020, and VBSP organized a national online training conference for its staff on how to go about implementing these policies.

Vietnam also issued Resolution 68/NQ-CP unveiling financial incentives for employers and employees affected by COVID-19. The support package is effective July 1, 2021, is worth US\$1.13 billion, and hopes to cushion the impact to those severely affected by the fourth wave of the pandemic. The incentives are the latest to support businesses and employees and help recover the economy. Businesses are now eligible to a reduced premium rate of 0 percent (currently 0.5 percent) to the insurance fund of occupational accident and disease.

Businesses are also entitled to financial support for training and improving vocational skills for employees using the unemployment insurance fund. The maximum value is set at VND 1,500,000 (US\$65) per employee per month with a maximum duration of six months. A request document must be submitted to the relevant authorities between July 1, 2022, and June 30, 2022.

- ***Credit policy package***

The Vietnam Government implemented a VND 250 trillion credit package to support enterprises, which was subsequently increased by a further VND 600 trillion. In 2020, The State bank of Vietnam has reduced policy rates by 0.25-1 percentage point. Several commercial banks have already lowered interest rates for businesses affected by COVID-19.

The Decree 68/2020/ND-CP dated 24 June 2020 to increase the cap of deductible interest expenses under Clause 3 Article 8 of Decree 20/2017/ND-CP. But it appears that numerous enterprises have not been able to access this credit support package due to a number of reasons including

- ***Tax and rent support***

In 2020, the Government issued Decree 41/2020 / ND-CP, extending the time for paying taxes and land rents, which is worth approximately VND 180 trillion. According to the Minister of Finance, about 740,000 businesses, or 98% of companies in operation, would benefit from the

land rent and tax payment extension policy. The Ministry of Finance has issued Circular 14/2020/TT-BTC adjusting prices by 10-50% for nine service groups and completely exempting six service groups in the field of securities.

In 2021, the Government issued Decree 52/2020/ND-CP on the extension of deadlines for the payments of taxes and land rental fees for the 2021 tax year. Decree 52 took effect on April 19 and is similar to Decree 41 in 2021, which catered to businesses affected by the pandemic.

5. POLICY-ORIENTED RECOMMENDATIONS

Although The Vietnamese Government's measures gain significant success in supporting enterprises adversely impacted by COVID-19, the cumbersome procedures and a lack of clear instructions along with insufficient capacity of many MSMEs are among the obstacles for MSMEs to access the support measures of the Government. The article provides some policy-oriented recommendations that may prove useful in: i) further refinements to the COVID-19 emergency measures; and ii) preparations for Vietnam's own wider corporate sector "pivot" in the post-COVID-19 environment.

➤ *Implementation of COVID-19 emergency support measures*

• **Improved dissemination of support policy information**

Most MSMEs are generally aware of the Government's COVID-19 support policies, but they are less clear on the specifics, including the application process and information requirements. To be more effective, these policies need improved outreach and dissemination, notably around the provision of specific guidance, processes and eligibility criteria. It would therefore be valuable to provide online seminars and other outreach activities, preferably tailored to MSMEs in different sectors, with very specific instructions on how to apply, Q&A sessions and FAQ chatrooms. Government agencies are encouraged to work with and through relevant business associations, chambers and other business networks.

• **Improved mechanisms for applications**

It would be desirable to implement ways of fast-tracking, categorizing and filtering, evaluating and scoring applications made for emergency funding support and other COVID-19 relief measures, as well as automating aspects of the submission process, in order to make procedures more userfriendly, efficient, and less subjective, for enterprises as well as Government agencies and commercial banks. For the support measures to be helpful in supporting MSMEs during the current crisis period, it is necessary that they are implemented quickly, and that this is done and is widely seen to be done as transparently, consistently and equitably as possible.

Further, methods by which MSMEs could "self-evaluate", and thereby pre-determine what support measures they might be eligible for, and what they need to provide in order to access this support, would be helpful, and potentially save a lot of time. A set of clear criteria is needed for enterprises to be able to "self-evaluate", and thereby determine: i) which eligibility group they belong to; ii) which policies they are entitled to access; iii) who precisely to approach; and iv) which documents to provide and forms to submit. One option might be to establish a dedicated COVID-19 internet portal where all relevant information, forms and contact details are easily

accessible and downloadable. Ideally, this portal should span across the relevant state agencies, as a "one stop shop" platform.

Going one step further, Government agencies could also explore ways in which likely eligible MSME recipients of emergency support could be pro-actively identified, alerted to the prospect of submitting an application, and even encouraged to do so.

- **Potential additional support measures**

Thus far, the Government's emergency support measures for MSMEs have largely revolved around fiscal measures, social assistance measures to mitigate unemployment, and monetary support. But there are other policy measures that are worth exploring, including reviewing the expenditure of public funds; how can the Government budget become a greater source of demand for products and services provided by the country's MSME sector? Increasing Government spending and directing public procurement to suitably qualified domestic firms, where feasible, could be a vehicle to mitigate the stark drop in demand that many enterprises have been facing in 2020. It could also provide an avenue by which some MSMEs could try to pivot their business plans more towards Government-funded projects.

- *Innovation to prepare for a post-COVID-19 business ecosystem*

As noted earlier, the COVID-19 crisis has served to accelerate various business trends. In some areas of business, changing consumer and client behaviour and priorities that might have normally been expected to develop over five or more years have accelerated and taken place over a five month period, due in part to the impact of COVID-19. For example, in the field of e-commerce and e-payments. For MSMEs to remain competitive, there is now a need to understand and embrace these trends, where this is feasible. While considerable attention is being placed on simply surviving the current pandemic right now, there will be an increasing need to look to the business horizon that lies beyond, and the structural reforms needed to position Vietnam's MSMEs well for this.

Advancing the digital economy in Vietnam will be a critical element in this, for which MSMEs are often poorly equipped and/or prepared, relative to foreign investors and larger local companies. But with access to the right training and other inputs, MSMEs could leverage Information and communications technology to great competitive effect, such as reducing various transaction and fixed costs, and unlocking significant efficiency gains.

In addition to information on COVID-19 related Government support policies, MSMEs always have appetite for up-to-date and accurate information on developments and trends in the markets and industries in which they operate, to better inform strategic decisions they need to make, and particularly when navigating their way through a crisis period, when the downside risks of making a poorly informed error are greatest. The extent to which this kind of information can be provided, and how it could be disseminated in a commercially viable and sustainable but affordable manner, merits exploration. This issue is a fairly perennial one in MSME development, along with access to finance, but the anticipated changes in markets and industries as a result of COVID-19's impact make this even more pertinent.

COVID-19 has served to emphasize the importance of building up a strong domestic market for products and services, and not becoming unduly reliant on overseas markets for future economic

growth. Similarly, the fragility of cross-border production networks and supply chains in recent months, resulting in major disruptions and input dislocations, has also helped underline the need to develop alternative domestic sources of inputs, where feasible and viable. Interventions around improving connectivity between MSMEs in Vietnam would be beneficial, alongside promotional efforts to encourage consumers to elect to buy from local producers and suppliers.

E-commerce could play an important role for MSMEs seeking to expand their presence in the domestic market, given the speed with which it is growing in Vietnam, and has been used even more intensely during the COVID-19 crisis period as a means to surmount travel restrictions, social distancing regulations and other protocols around in-person activity.

Finally, much can be done to advance the level of innovation among MSMEs in Vietnam, and that interventions oriented towards improving the level of innovation would be able to harness some of the considerable, but often latent, skills and proclivities of the country's private sector.

Innovation will be key in enterprises' efforts to find business solutions, harnessing their core competencies and industry expertise, as well as exploring new business models, including social enterprise and inclusive business. While it is often easier for larger firms to consider ways of "pivoting" their business models, MSMEs often struggle to do so likewise, for a variety of reasons. It is, therefore, critical that if a major post-COVID-19 pivot is indeed about to transpire, that MSMEs are not left behind

➤ *Long-term business enabling environment reform agenda*

There is a need to ensure that the COVID-19 crisis does not dislocate the steady progress that Vietnam has already made in developing its MSME sector. The task of steadily improving the business enabling environment for MSMEs remains a work in progress that will extend well beyond the current crisis. In this context, the Vietnam Government's emergency COVID-19 support measures to help enterprises survive the current crisis are not designed to be an alternative, long-term or sustainable strategy. Inevitably, the current emergency measures would bring unwelcome distortionary side effects, as well as heightened levels of moral hazard, if they are allowed to continue for too long.

Therefore, first and foremost, there is a need to continue with the long-term agenda for MSME development, reducing where feasible and appropriate gratuitous regulatory and administrative measures, and their enforcement, which bring about unwelcome "friction" for MSMEs seeking to thrive. Creating a conducive environment for MSMEs to grow in a sustainable and robust fashion remains the priority for policymakers working in this space. Policymakers should continue to explore ways of catalyzing and facilitating the development of a healthy environment and delivery platforms for commercial and sustainable business development services that meet the needs of MSMEs

Secondly, COVID-19 has served to heighten the importance of ensuring that companies can navigate their way through severe and sudden economic downturns, and have the right systems in place to: i) lessen their vulnerability to such downside risks; and ii) be able to respond effectively and decisively to those risks when they occur. Business survival and continuity is something that has become a higher priority in recent months. While Governments can enact emergency policy

measures to help mitigate some of the consequences of a sharp economic downturn, these are inevitably blunt policy instruments that do not always reach their intended targets in adequate fashion. A better option would be to encourage enterprises to embrace various risk and control systems that can help them become more robust. These offerings often come with internationally accredited standards and certifications that have an added advantage of being a competitive asset when seeking to enter new and overseas markets. Therefore, one option would be for the Government to provide fiscal or other incentives to encourage MSMEs in Vietnam to undergo such capacity-building measures, and attain the relevant certifications.

6. CONCLUSION

The COVID-19 pandemic has threatened Vietnam's economy and affected the business community severely. There is a need to ensure that the COVID-19 crisis does not dislocate the steady progress that Vietnam has made in developing its MSME sector. The task of steadily improving the business environment for MSMEs remains a work in progress that will extend beyond the current crisis.

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EVALUATION ON THE IMPACT OF CIRCULAR ECONOMY MODEL TO BUSINESS EFFICIENCY OF LISTED SEAFOOD ENTERPRISES IN VIETNAM

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Abstract: *Circular economy is a potential solution for resource efficiency, assisting to solving the conflict between economic and environmental benefits. Simultaneously, it reduces the dependence on nonrenewable resources, limits waste generation and minimizes adverse impacts on the environment. It is considered a sustainable development strategy for businesses. Based on the actual observation of business efficiency and circular economy model in listed seafood enterprises, the article has analyzed and evaluated the impact of the circular economy model on business performance in this company, as well as assessed the difficulties in the model application. Thus, some recommendations are made to help listed seafood enterprises implant circular economy to improve business efficiency.*

Keywords: *circular economy, listed seafood companies, business efficiency, sustainable development.*

1. INTRODUCTION

According to the United Nations Industrial Development Organization (UNIDO), a circular economy is a closed production cycle, where wastes are recycled to become raw materials for production, thereby reducing all negative impact to the environment, protecting the ecosystem and public health. The circular economy offers four fundamental benefits by utilizing resources, including: resource efficiency, environment protection, promoting economic development, and social benefits. Business operation based on the circular economy model is remarkably superior to operation based on the traditional linear economic model with the principle of exploiting natural resources as an input to the economic system, through manufacturing, consumption and at last disposing waste into the environment. Furthermore, as the ongoing Covid-19 pandemic has drastically affected the global economy, disrupting chain value and logistic activities, the circular economy becomes an option to reduce dependence on the external economic system, thereby improving company's business efficiency. The circular economy model has been applied in many countries with the goal of sustainable development. Currently, in Vietnam, there are many enterprises in various fields applying the circular economy model, including listed seafood enterprises. Fisheries is one of the key economic sectors of the country. In recent years, the fisheries sector has constructively contributed to the restructuring of the rural agricultural economy; eradication of poverty, hunger; providing employment for more than four million laborers, improving the living standards of communities throughout the rural, coastal, and delta areas, as well as being a key factor to naval homeland security. In addition, Fisheries is also

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a key industry that has contributed significantly to Vietnam's export turnover for many years. However, currently, our Fisheries industry is also facing certain challenges such as: continuous climate change hindering aquaculture, which leads to material deficiency; trade barriers such as anti-dumping agreement, stages of inspection, product traceability before being imported into the US, EU, Japan, etc., are increasingly strict, which worsens the situation for seafood enterprises. This requires seafood businesses in general and listed seafood companies in particular to improve business efficiency along with sustainable development, in order to create additional value for the industry and contribute more for the economic and social development. Therefore, applying the circular economy model in operation is considered an effective solution for listed seafood enterprises in the current period.

2. RESEARCH METHODS

From the collected documents, the author conducts qualitative research, through methods of theoretical analysis and synthesis, analysis and summary of experience, historical research... From the point of view of dialectical materialism, use deduction to speculate on inevitable consequences, use comparison to make intermediate judgments, and then use induction to draw conclusions and synthesis

3. RESEARCH RESULTS

3.1. Overview of listed seafood companies in Vietnam

During the economic integration, Vietnam has joined a series of commercial and economic organizations in the region and the world such as WTO, TPP, APEC, etc... and signed bilateral and multilateral free trade agreements. This has helped seafood businesses thrive. In addition, seafood enterprises are joining the stock market for capital mobilization, business expansion and status affirmation. Currently, there are 26 seafood companies listed on three stock exchanges HOSE, HNX and UPCOM. The capital scale of listed seafood companies is also fairly diverse, of which there are 4 companies with the capital scale of less than 100 billion, accounted for 15.4%; 17 companies with capital scale of over 100 billion and under 500 billion, accounted for 65.4%; 5 companies with capital scale of over 500 billion, accounted for 19.2%.

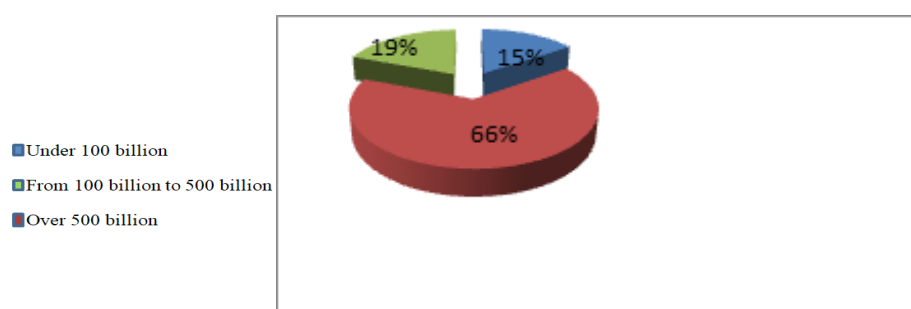


Figure 3.1 Capital scale chart of listed seafood companies

(Source: Author)

Table 3.1. List of listed seafood companies

No	Company name	No	Company name
1	Mekong Fisheries Joint Stock Company	14	AnViFish Joint Stock Company
2	Bentre Aquaproduct Import And Export JSC	15	Minh Phu Seafood Corporation
3	Cuu Long Fish Joint Stock Company	16	Seaproducts Mechanical Shareholding Company
4	Angiang Fisheries Import Export JSC	17	Da Nang Seaproducts Import - Export Corporation
5	Nam Viet Corporation	18	Seafood Joint Stock Company No4
6	Bac Lieu Fisheries Joint Stock Company	19	Vinh Hoan Corporation
7	Camimex Group JSC	20	Viet Viet Nhat Investment Corporation
8	Sao Ta Foods Joint Stock Company	21	Vietnam Seaproducts Joint Stock Corporation
9	Hung Vuong Joint Stock Corporation	22	Saigon SeaProducts Import - Export Joint Stock Corporation
10	Investment Commerce Fisheries Corporation	23	Cadovimex Seafood Import-Export and Processing JSC
11	Ngo Quyen Export Seafood Processing JSC	24	Travel Investment And Seafood Development Corporation
12	Hung Hau Agricultural Corporation	25	Nam Can Seaproducts Import Export Joint Stock Company
13	Ntaco Corp	26	Seaprodex Hanoi Joint Stock Company

(Source: Author)

Business traits of listed seafood companies in Vietnam: Listed seafood companies in Vietnam mainly focus on processing aquatic products such as shrimp, tuna, and fish for export to major markets such as EU, USA, Japan... and also for domestic consumption.

- *First of all - products:* Products from listed seafood enterprises are mainly shrimp, sutchi catfish, basa fish, tuna, some types of sea fish, molluscs, frozen seafood, processed seafood products. The speciality of these products is the short shelf life and being used as culinary items. Therefore, the input materials must be qualified, the processing procedure must be hygienic. Product quality must be accordingly certified to VietGAP, GlobalGAP, ASC, BAP standards, etc. There must be no residue of growth substances, antibiotics, etc., especially for products exported to fastidious markets such as the US and EU which also are bound to comply with the particular regulations of that market.

- *Second of all - the source of raw materials:* Raw materials for seafood processing are mainly from two sources: wild fishing and aquaculturing. Wild fishing takes advantage of the relatively large oceanic area with a variety of marine products. However, fishing and exploitation is dependent on nature, individualistic and fishing boats are usually close to shore. The number of boats fishing far from the shore with large capacity is still insignificant, leading to a low volume of fishery exploitation; the preservation for wild-harvested seafood is still elementary without technology, leading to the quality of raw seafood unqualified or inadequate for processing exporting products. In addition, the affirmation of maritime sovereignty among countries in the region also limits our natural fishing. For materials from aquaculture: Currently, most of the seafood enterprises, including listed seafood companies, have an additional aquaculture segment to meet the consumption demand. However, most input materials are still acquired from individuals' farming, which hinders the effort to guarantee that input materials are clear from factors such

as diseases, antibiotic residues, etc. Additionally, natural phenomena such as drought, saltwater intrusion and environmental pollution from industrial processes challenge the quality of seafood raw materials, destabilize the quantity provided for manufacturers, which leads to high input materials. Compared to major seafood exporting countries in the world such as India and Thailand, the price of input materials in Vietnam is 10-30% higher, especially for raw shrimp, due to the cost of breed, feed, material source, loan interest, post-harvest losses, electricity, and water, etc., affecting the competitiveness of our country's seafood. Due to unstable input materials and high prices, from 2015 up to now, the trend of importing seafood materials of enterprises has increased from 1.06 billion USD in 2015 to more than 1.5 billion USD in 2018.

- *Thirdly - technique and technology*: The production process of most seafood enterprises is undeveloped and inconsistent, leading to an inadequate quantity and quality as well as unequal product. Due to the peculiarity of food products, the application of modern machinery and equipment in production and preservation plays an important role and greatly affects product quality. Currently, the majority of seafood companies only use technological lines for the production of frozen products. There is a lack of technological equipment for manufacturing value-added products, and there are no high-end products used in pharmaceuticals or cosmetics. such as fish oil, gelatin, dietary supplements containing micronutrients...

- *Lastly - the consumption market*: Seafood enterprises in our country mainly serve the export demand as it accounts for over 80% of their revenue and will prospectively increase even more due to the increased demand for food in the world. For export, consumption volume is high but unstable. Signing FTAs with many countries such as Korea, EU... has helped companies to reduce tariffs and trade barriers, but still heavily dependent on the import market, especially technical barriers and trade protection, such as regulations on quality control in accordance to each country's hygienic laws, regulations on resource control for wild-caught seafood, anti-dumping law and catfish inspection, etc. Furthermore, there is strong competitive pressure from major seafood export markets in the world. such as: Thailand, India, China...

From the business traits of listed seafood enterprises in Vietnam, it can be seen that the major problem they are facing is the unstable and unqualified sources of materials, which affects the price, quality of products and the consumer market. In addition, the inefficiency of the waste from input materials in the production process deeply affects the business performance.

3.2. Evaluating the impact of circular economy model on business performance of listed seafood enterprises.

Criteria for business efficiency evaluation have been suggested by various research, such as: "Reading and analyzing corporate financial report" by Assoc. Prof PhD Nguyen Trong Co, Assoc. Prof Ph.D Nghiem Thi Tha, "Monograph of financial report and reading, examining and analyzing financial report" by Prof PhD Nguyen Van Cong,... Because of different approaches and interest in business efficiency of different subjects, the standpoints of the research are differentiated. However, the conjunction of authors determines that business efficiency is an economic spectrum, reflecting the level of utilizing resources in order to achieve the highest benefits to the enterprise and to society. Therefore, for evaluation, business must include indicators showing the level of resource use, and the benefits that business and society derive from the use of those resources.

Therefore, the business efficiency of an enterprise is evaluated through a system of indicators reflecting business performance in both economic and social aspects. Based on theory and the business traits of the fisheries industry, the author proposes a system of criteria to evaluate the business efficiency of listed seafood enterprises as follows:

Table 3.2: Criteria for business efficiency evaluation in listed seafood enterprise

No.	Evaluation in economic aspect	No.	Evaluation in social aspect
1	Effect indicator	5	Waste disposal investment indicator
2	Capital efficiency indicator	6	Environmental contribution indicator
3	Efficiency ratio	7	Employee Per Capita Income
4	Profit indicator	8	Social welfare contribution indicator
		9	Recycling indicator

(Source: Author)

Currently, in Vietnam, there have been several companies in various industries pioneering in applying the circular economy model in business operation and achieving high efficiency such as: Heineken Vietnam, Vietnam Dairy Products Joint Stock Company, etc. In the field of Fisheries, due to the characteristics of the industry, and strength and weakness in fishing, aquaculture and seafood processing, this model must be flexibly applied to certain businesses. The circular economy model in seafood enterprises is built on the basis of implementing a closed line of farming and processing shrimp, sutchi catfish, basa fish, etc. From there, businesses can actively control in all stages from breeding - farming - harvesting - processing - production - marketing - sales. Concurrently, it can take advantage of waste products from the production process such as shrimp shells, fish skin, fish bones, stomachs, etc., to produce by-products such as collagen, gelatin, animal feed, etc. Simultaneously, wastewater, sludge, and dead fish from farming activities are salvaged to irrigate fruit trees. An admiring example of successfully building a circular economy model in the Fisheries field is Vinh Hoan Joint Stock Company.

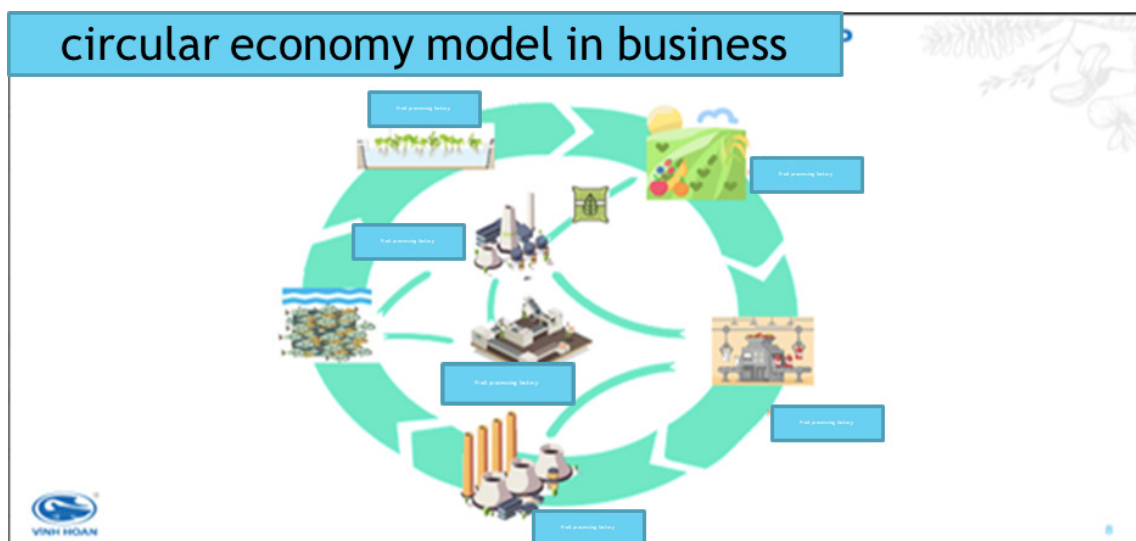


Figure 3.2 Circular economy model in Vinh Hoan Joint Stock Company

(Source: Vinh Hoan Joint Stock Company)



Figure 3.3 Exercising circular economy method in processing shutchi catfish in Vinh Hoan Joint Stock Company

(Source: Vinh Hoan Joint Stock Company)

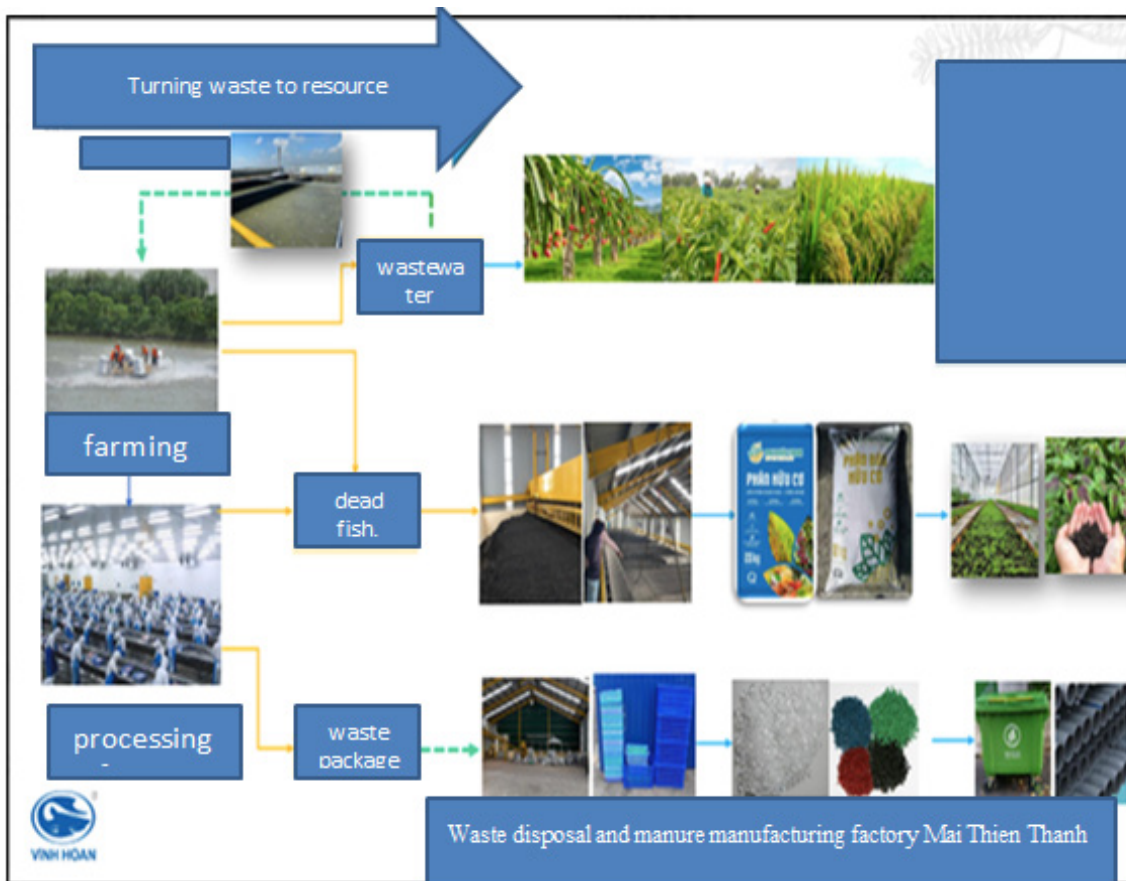


Figure 3.4 Exercising circular economy method in Vinh Hoan Joint Stock Company

(Source: Vinh Hoan Joint Stock Company)

In the sutchi catfish manufacturing process, with application of science and technology, none of the fish part is dissipated, such as skin, fat, intestines, which were once considered unusable. In addition to the main product - fish fillet, the company has taken advantage of fat to produce fish oil, fish skin for snack, collagen, gelatin, bubbles and frozen fish intestines, etc.

Table 3.3: Comparison of Vinh Hoan's products before and after applying circular economy model

	Before applying circular economy model	After applying circular economy model
Revenue	- Fish fillet	- Fish processed foods
	- Fish fillet	- Fish processed foods
		- By-products (Collagen, fish oil, Gelatin, livestock feed)

(Source: Author)

Products such as collagen, fish oil are high-end products, which increase revenue from certain sales and service: apart from the main revenue from traditional products such as fish fillet and fish processed foods, applying a circular economy model allows another stream of income from by-products, production wastes. The sales from by-products have been increasing regularly: in 2019 the revenue was 967 billion Dong, by 2020 it was 1,253 billion Dong. This enhances business efficiency in terms of economic perspective. At the same time, utilizing input materials helps Vinh Hoan improve business efficiency in terms of social perspective by increasing its recycling indicator.

In the manufacturing process, Vinh Hoan Joint Stock Company has turned waste into resources: wastewater from the farming area can be used for crop irrigation; dead fish and sludge are processed into compost; redundant packages are used as materials for waste treatment or fertilizer manufacturing plans. This process not only helps the company improve business efficiency by generating revenue from agricultural products such as fruit trees, crops and fertilizers, but also guarantees the treatment of waste in the production process, reduces environmental pollution, and achieves the sustainability goal. In addition, overseeing from seed - farming - harvesting - processing - production - marketing - sales enhances company's self-control in the quality and quantity source of input materials, being independent on external suppliers, thereby stabilizing costs, improving product quality and improving business efficiency. Other seafood enterprises can refer to the circular economy model applied by Vinh Hoan Joint Stock Company in accordance with the situation and goals.

3. DISCUSSION AND CONCLUSION

In the circumstance of declining natural resources, increasing impacts of diseases and environmental pollution, sustainable development and the circular economy offer benefits at the global scale, including materials utilization; new and innovative sources of income; enhance stakeholder relationships and brand reputation; risk reduction. Therefore, the circular economy model is the right track for enterprises in general and seafood enterprises listed in Vietnam in particular. Due to the specific characteristics of input materials for the Fisheries industry, which is heavily dependent on natural conditions as well as climate change, and the farming and processing

procedure cause environmental pollution, especially water pollution, this leads to many difficulties in the enterprises' operation. Building a circular economy model aligning with their goals and business situation will improve seafood enterprises' business efficiency while ensuring sustainable development goals.

Difficulties when applying circular economy model to listed seafood enterprises in Vietnam

The implementation of the circular economy model for seafood enterprises still has certain difficulties such as:

Firstly, the policy framework for the development of the circular economy model is incomplete: the current circular economy model is an unfamiliar concept in Vietnam. The national program for supporting the business community to implement the model in the 2021-2025 period has not been widely deployed. There is no regulation on the set of indicators for transforming the circular economy model.

Secondly, the circular economy awareness is still limited. Inconsistent implementation for each industry, each field needs compliance from all levels of authorities to each enterprise. Due to the lack of a policy framework as well as specific regulations on the construction and development of a circular economy model, although it has been introduced since 2016, the awareness of businesses about this model is still extremely limited. As a result of the lack of consistency in the implementation of the circular economy, each industry and each enterprise are building a separate circular economy model.

Third, resources for implementing the transition from linear economy to circular economy development are inadequate. The circular economy must be associated with scientific innovation and access to advanced technology. In addition, developing a circular economy requires a collective of good experts to solve problems, from the beginning to the end of the process and people.

In order to assist seafood enterprises to conveniently apply the circular economy model in production and business, the author provides the following recommendations:

For Government:

First, completing the legal framework to assist the development of the circular economy. There should be specific regulations on the responsibilities of business in the recovery, sorting and recycling; payment of disposal costs based on the number of products sold on the market; managing projects according to the life cycle; establishing a roadmap for the development; and implementation of environmental regulations and standards. Simultaneously, there must be guidelines and models for each economic sector based on experiences of applying circular economy from countries in the region and around the world.

Second, the Government needs to have a convenient and flexible structure for converting land use purposes so that seafood businesses can lease land in the long term to create and develop a model of integrated aquaculture with fruit trees or crop cultivation. There should be preferential policies on land, income tax and loan interest to encourage enterprises to invest in applying the circular economy model.

Third, local authorities need to develop regional planning for linkages, creating opportunities for companies, co-operative society and households in the chainlink of the circular economy model: aquaculturing and processing, fertilizer production, packaging, fruit tree planting, rice cultivation, etc.

Fourth, local authorities need to improve electricity, water, and transportation infrastructure to reduce the fossil fuel consumption, increase the use of renewable energy sources such as wind and solar energy, and at the same time create environment for businesses to have efficient energy to produce according to the circular economy model, while reducing adverse impacts on the environment and adapting to climate change.

For seafood enterprises:

First, enterprises need to renovate the management mindset and enhance their knowledge in the circular economy model and its role in enhancing business efficiency, which leads them to sustainable development.

Second, enterprises should actively learn and build their own circular economy model that suits their business traits and goals. For companies that have inadequate economical resources to apply circular economy, they should cooperate with local co-operative society and sole farmers.

Third, enterprises should train for higher quality workers, because the circular economy depends on technology development, digital economy, and Industrial revolution 4.0. New technology will assist the implementation of the circular economy model, reduce pollution, preserve nature and ecosystem, avoid exhausting natural resources; as well as create new job opportunities.

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MANAGING THE STATE BUDGET EXPENDITURE CYCLE BASED ON THE OUTPUT RESULTS IN VIETNAM

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Abstract: *In the management of state budget expenditure, the traditional budget management method based on input control and short-term has led to a lot of waste and loss. Over the past time, Vietnam has actively implemented many solutions to manage the state budget expenditure cycle, contributing to improving the efficiency of the management and use of the state budget, promoting economic growth and development of the country. However, when analyzing and evaluating the current state of the state budget expenditure cycle in Vietnam, it is also facing a number of challenges and risks. The Paper makes some recommendations to renovate the state budget expenditure cycle in Vietnam based on the output results to suit the country's current socio-economic situation, taking into account progressive trends. in the world on state budget management.*

Keywords: *State budget expenditure cycle, State budget expenditure cycle management based on the output results.*

1. INTRODUCTION

In the socialism-oriented market economy in Vietnam, the State plays a particularly important role not only in social management, but also in economic management. The state budget is one of the most important tools and means for the State to perform its tasks. State budget is a centralized monetary fund of the State, is the basic financial plan of the state, holds a leading position in the financial system. State budget as internal financial force for development, over the years has affirmed its role for the entire national economy. Since the Law on State Budget 2015 came into effect and took effect until now, the state budget management activities in general and the state budget expenditure management cycle in particular in Vietnam have made a lot of progress. However, in addition to the achievements, the implementation of the state budget expenditure management cycle has revealed a number of limitations that become obstacles to the process of operating and managing the state budget in a timely manner. effective way to save money. One of the reasons for the above limitations is that the management of the state budget in general and the expenditure management cycle in particular in Vietnam under the 2002 State Budget Law has not yet implemented the state budget management according to the output results. In order to renew and overcome the limitations of the 2002 State Budget Law in general and the state budget expenditure management cycle according to input results in particular, one of the new points of the 2015 State Budget Law (No. 83/2015/QH 13 approved by the 13th National Assembly of the

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Socialist Republic of Vietnam on June 25, 2014 and took effect since 2017) is an innovation in the state management. The State budget based on the results of task performance with the method of making estimates, implementing and finalizing the budget based on the results of task performance (Article 3, point 13 of the 2015 2015 State Budget Law).

2. RESEARCH OVERVIEW AND RESEARCH METHODS

The study on renovation of the state budget expenditure cycle has been mentioned quite a lot in articles and researches, both at home and abroad. The issue of renewing the state budget expenditure cycle is an indispensable, if not decisive, content in the process of reforming state budget management. Most of the developed and developing countries tend to convert the state budget management according to the annual framework to the state budget planning according to the MTEF - Medium Term Expenditure Framework, which is closely attached to the socio-economic development plan and closely associated with the output results. Martin, Lawrence L., and Kettner (1996) when studying the evolution of theories of state budget over time, such as: from itemized budgeting to task-based budgeting, program-based budgeting, to output-based budgeting compared and showed progress in the above budgeting theories in the study "*Measuring the Performance of Human Service Programs*" - Measurement measure the performance of human service programs, and show the superiority of the results-based budgeting approach. The implementation of the output budgeting approach answers the question that public finance managers always have to ask: "*how should I decide how to allocate X dollars to activity A instead of to activity B*". Therefore, the output-based budgeting method is being studied to be widely applied in the management of state budget expenditures of countries today. In an in-depth project of the World Bank in 2000 titled "*What is MTEF*", the World Bank's (WB) experts analyzed and explained why it is necessary to change the annual traditional state budget estimation model to preparing the state budget estimates according to MTEF, and at the same time explain what MTEF is, its application conditions and benefits. Thus, from the perspective of the state budget management process, WB experts pay more attention to reforming the state budget estimation process, considering this as a decisive opening step to the problem of the State budget management in the implementation and settlement of the state budget.

In the research project: *From Line – item to Program Budgeting Global Lessons and the Korean Case*, the author John M.Kim mentioned the innovation of the Korean state budget expenditure management method, analyzing the process of transforming from the itemized budget expenditure management to the programmatic budget expenditure management. In this project, the author has presented the basic principles, the basic legal frameworks of programmatic budgeting, the conditions for Korea to successfully transition from input-based budget management to output-based budget management. The research project *The Federal Budget Process* by Robert Keith and Allen Schick also mentioned the issue of national budgeting when analyzing the activities of preparing the Federal budget plan. The study demonstrates that, at the budget planning stage, in addition to the White House Administration Office, there is also a Council of Economic Advisers to the President and the Treasury Department to advise on budget planning decisions. The above studies show that although each country's way of managing budget expenditures has some

similarities, it is quite different in terms of processes as well as the specific role of each entity in the management of national budget expenditures.

Studying the Australian experience: From the second half of the 1990s, Australia began to apply the Outputs Budgeting and Management Framework. Under the decentralized framework at the federal level, results management (including performance measurement and evaluation) is the responsibility of ministers and subordinate agencies, but results must be agreed upon with the Minister of Finance and Administration. The Australian Government's results-based management policy requires agencies and units in the government sector to fully define outputs and measure them to determine quantity, quality, and price. effective and efficient for the activities of their agencies and organizations. Agencies and units must report on the above contents in the budget plan as well as the year-end results.

For Canada, in 1993 the Canadian Parliament passed the Act on Performance Evaluation of State Agencies, which stipulates the application of a targeted spending plan. Starting in 1995, the output-based state budget expenditure management method has been applied in many government agencies. According to this method, the agencies using the State Budget must determine the results of their activities, and on that basis develop a cost plan funded by the State Budget. At the end of the fiscal year, agencies using the State Budget must make reports on their performance. At the same time, the Government of Canada has also implemented a medium-term financial plan to ensure the connection of annual operating results with expected results in the medium term..

In Vietnam, recently, before the requirements of supplementing and amending the State Budget Law, there have been many research works on the state budget in each aspect of revenue, expenditure, and decentralization of the state budget... in the form of scientific works at ministerial and academy levels, theses and scientific articles published in specialized journals. However, the separate research on the state budget cycle has not been paid much attention by research and management agencies; sporadically, some authors have paid attention to research on the state budget cycle following the approach to study each process segment such as the process of making, implementing, paying, finalizing the state budget, auditing the state budget audit in the form of scientific articles published in specialized journals or published on websites, specifically:

The Article: "*The relation between the preparation and implementation of the state budget and inflation*" (2011) is implemented by Dr. Vu Si Cuong, who is the member of the policy advisory group, the Ministry of Finance and posted on www.sbgov.vn/wcm/conect/. In this article, Dr. Vu Si Cuong has a preliminary assessment of the state budget estimation and implementation in association with the current inflation situation in Vietnam. Maybe due to the framework of an article, the author does not have the conditions to analyze the advantages and disadvantages of the current state budget process in Vietnam. The author Cao Ngoc Xuyen, Deputy Chairman of the Finance and Budget Committee, National Assembly Standing Committee (2011) in the Article "*Improving the process of budget decision by the National Assembly*", said that the National Assembly Standing Committee has promulgated the Regulations on making, verifying and submitting to the National Assembly for making the decisions on the state budget estimates, central state budget allocation plans and approving the state budget settlements, which prescribed the order, deadlines, responsibilities, forms for making and sending the state budget estimates and finalization reports.

The article "*Legal Research on Public Finance in Vietnam*" by Dr. Pham Thi Thu Giang - Hanoi Law University, who is the chairwoman of the 2011 project, assessed the actual situation of the law on the preparation, implementation and finalization of the state budget and proposed directions to improve the budget management process. The authors pointed out the shortcomings in each stage of the preparation and implementation of the state budget estimates and finalization and said that "weaknesses of the current state budget management method are due to the fact that we are still maintaining the traditional management method, also known as the management of the input-base state budget, which has already exposed many weaknesses.

- The article by MSc. Vu Van Cuong (2012)- Deputy Director of Legal Consulting Center - Hanoi Law University (HLU) titled "*Assessment of the actual situation of making, implementing and finalizing the state budget and directions for improvement*". In this article, the author has presented the shortcomings in implementing the process of making, implementing and finalizing the state budget under the provisions of the 2002 State Budget Law. The author made an in-depth analysis about the inadequacies and proposed the important conclusions about the biggest limitation of the state budget process, which is the integration in the system of state budget levels.

The above topics and research works have built scientific bases and drawn practical experience on some basic contents of state budget expenditure management, especially the scientific basis of establishing the state budget management process, state budget allocation, improvement of state budget management efficiency, as well as proposing the diverse solutions to improve the efficiency of state budget expenditure management at the national level, medium-term state budget management stability, output-based state budget management innovation... However, there has not been a long-term research work in the form of a separate scientific topic on the state budget cycle from a theoretical perspective as well as an assessment of the status quo. From the current state of research on the state budget process, it shows that a methodical implementation of research and innovation in the state budget expenditure cycle is absolutely necessary in order to contribute to the innovation in the implementation of the state budget expenditure management cycle based on the results of task performance under the 2015 State Budget Law in Vietnam in the coming time.

To achieve the above goal, this study employed the qualitative research methods mainly to analyze and synthesize theories, previous studies on the state budget expenditure cycle, collecting the experiences from countries on relevant contents, combining the research on theoretical issues with an assessment of the current status of Vietnam as well as synthesizing and analyzing experiences of some countries in order to clarify issues related to the output-based state budget expenditure cycle in Vietnam, thereby forming a scientific basis for proposing solutions to renew the cycle of state budget expenditure management based on the results of task performance in Vietnam in the near future.

3. RESEARCH RESULTS

In Vietnam, the new output-based state budget management method has been applied in a limited way, mainly through a number of expenditures of public administrative units, expenditures on investment and development projects. development, state budget expenditures for national target programs and budget allocations for administrative management. Not only that, depending

on specific conditions, each locality, each sector determines its own goals, steps and solutions in line with the Government's policy of reforming state budget expenditure management.

In recent times, Vietnam has actively implemented many solutions to redefine the role and position of budget levels in the budget system of Vietnam. The promulgation of Decree 16/2015/ND-CP dated February 14, 2015 of the Government stipulating the autonomy mechanism of public administrative units (hereinafter referred to as Decree 16) has promptly met the requirements of the Government on innovation and development of public administrative activities in the socialist-oriented market economy. Decree 16 adjusts the operating and financial mechanisms for public administrative units in the direction of enhancing autonomy and self-responsibility, encouraging conditional units to achieve self-reliance at a high level. Public non-business units that cover their own recurrent and investment expenditures are given a wide range of autonomy, such as deciding the number of employees, receiving preferential credit loans from the state, or receiving interest rate support for their employees. Investment projects using loans from credit institutions according to regulations, are entitled to decide on their own the level of deduction for income supplementary funds without being restricted in the level of deduction of income supplementary funds like other types of non-business units. is different. Shifting from allocation to ordering mechanism, from assigning funds based on input to quantity and quality of output, from supporting suppliers to direct support to beneficiaries... Public non-business units are encouraged to improve their financial autonomy, exploit lawful sources of revenue to gradually ensure regular operating expenses and spend a part of investment spending, and enhance efficiency and quality of the activities, improving the living standards of workers.

However, the renovation of the financial mechanism of public administrative units still faces many difficulties and inadequacies such as the implementation of financial autonomy is still slow, the degree of autonomy is not high, and the financial autonomy is not really synchronized. autonomy, self-responsibility for task performance, organizational structure, payroll with financial autonomy... On June 21, 2021, the Government issued the Decree No.60/2021/ND-CP on the financial autonomy mechanism of public administrative units (referred to as Decree No.60). The Decree No.60 promulgated many innovations to overcome the limitations of the Decree No.16, in which especially noteworthy are the new and more detailed regulations on the classification of financial autonomy; financial resources and use of financial resources; financial autonomy, assigning autonomy to public administrative units. Amending and supplementing regulations on determining the level of financial autonomy of public administrative units and principles of state budget support for public administrative units. To step up the renewal of the financial autonomy mechanism, to assign financial autonomy to public administrative units; increase the number of units that self-finance recurrent expenditures, investment expenditures and self-finance recurrent expenditures; clearly define revenue sources, expenditure tasks, distribution of additional income, authority and responsibility of the head of the unit; Strongly change the allocation mechanism according to the estimate to the payment-by-order mechanism, assigning tasks associated with the quantity and quality of products and services, service provision prices and user demand; have a specific roadmap for implementing the service provision bidding mechanism; gradually reduce the number of products and services performed by the method of assigning tasks.

On April 10, 2019, the Government issued the Decree No.32/2019/ND-CP on regulations on assigning tasks, ordering or bidding for the provision of public products and services using the State budget from capital sources. recurrent expenses. Accordingly, there are 04 types of public administrative services using the state budget to carry out orders, specifically: Printing banknotes and valuable papers, producing metal coins, printing and minting gold bars; Services to ensure maritime safety, coastal information; Management and maintenance of railway infrastructure; Services using ports and stations. In addition, the Decree also stipulates the use of the State budget for bidding or placing orders for the following services: Management and maintenance of road traffic infrastructure, operation and exploitation services. overland ferry terminal; Management and maintenance of inland waterways; Service of park management, planting and care management of ornamental plants, ornamental flowers, sidewalks, streets, medians, roundabouts; Urban lighting services... On the other hand, the Decree also stipulates that the funding for the task of providing public administrative services using the state budget can be adjusted in the following cases: salary mechanism and policy; The superior management agency adjusts the assigned tasks with the cause of changing the quantity or volume of implementation or other objective reasons.

With regard to state budget expenditures, state budget expenditures are decentralized into central budget expenditures and local budget expenditures and are mainly focused on: development investment expenditures, recurrent expenditures and debt payment, paying interest on loans, spending on provisions and spending on salary reform, in which, recurrent expenditure always accounts for the highest proportion of total state budget expenditure, accounting for an average of 61% of total state budget expenditure, expenditure on development investment accounts for about 23%, debt payment and aid account for about 23%. about 7% in the period 2008 - 2018. The proportion of recurrent expenditure in the total state budget expenditure tends to increase and peak at 70.7% in 2017. Meanwhile, expenditure on development investment in total State budget tends to decrease from about 26.3% in 2008 down to about 21.27% in 2017 [9]. The recurring expenditure tends to increase while the expenditure on development investment, which is the source of long-term economic development tends to narrow.

(i) Regarding allocation and distribution of state budget expenditure estimates, in the past time, the allocation and use of state budget estimates at ministries and central agencies and promoting socio-economic development, improving effective and efficient financial management of the state budget. However, there are still situations where the allocation and use of annual budget estimates are not timely, the number of sources transferred to the next year's budget is large, the debt for capital construction investment is still large and prolonged without any measures. dealt with definitively, typically in localities. The preparation of state budget expenditure estimates in localities is mainly based on the results of the implementation of the state budget estimates of the previous year and adjacent years, not paying much attention to fluctuations in the socio-economic situation and conditions of each locality, major changes in the State's economic and financial management policies and regimes. The practice of thrift and anti-waste has made fundamental changes, and thrift has changed from passive to active implementation; waste is also gradually being controlled. The management and use of operating funds of agencies and units have been more linked with the measures of thrift practice and waste prevention; The provisions of the State Budget Law, from the stage of making estimates to the

implementation and finalization of the State budget, have been strictly implemented. Although many important results have been achieved, in general, the observance of recurrent expenditure estimates of the state budget over the past time still has certain limitations, especially at agencies and units using the state budget in localities such as:

The work of making and adjusting estimates in some ministries and central agencies is still slow, leading to the untimely appraisal of the allocation and assignment of estimates by the Ministry of Finance to units. Some audited ministries and central agencies make expenditure estimates much higher than those checked by the Ministry of Finance, which is not close to reality. The allocation and assignment of estimates in excess of the norm, spending in excess of the estimate, using the wrong funding sources, exceeding the prescribed standards and regimes. In the past time, spending is higher than the estimate and the state budget overspending appears to be higher than the overspending level set by the National Assembly. Specifically, the years 2008, 2009 and the period from 2012 to 2015, the overspending was higher than the estimate; even in some years the overspending was 31.5% higher than the estimate. Recently, the state budget deficit has tended to decrease gradually thanks to the policy of increasing the state budget expenditure discipline, reducing overspending and public debt. Accordingly, the public debt to GDP has also increased from 44.3% of GDP in 2008 to 63.7% of GDP in 2016 and gradually decreased down to 61% in 2018. The State Audit also discovered and recommended the handling of financial violations of trillions of Vietnam Dong...

(ii) Regarding the organization and implementation of state budget expenditure estimates, in recent years, the allocation and use of state budget estimates at ministries and central agencies have promoted socio-economic development, improve the effectiveness and efficiency of state budget financial management. The management and use of state budget funds for recurrent expenditures are strictly managed and controlled from the preparation to execution of state budget estimates and finalization, expenditure tasks are classified in order of priority. Prioritize, limit additional additions outside the estimate, advance capital; Expenditure according to standards, norms and regimes according to regulations. The management and use of operating funds of agencies and units has been more linked with thrift and anti-waste practices; The provisions of the State Budget Law, from the stage of making estimates to the implementation and finalization of the state budget, have been strictly implemented. Although many important results have been achieved, in general, the observance of recurrent expenditure estimates of the state budget over the past time still has certain limitations, especially at agencies and units using the budget. In localities such as: There is still the situation of using excess revenue, provision, advance spending, lending to the wrong object, wrong regime, spending in excess of the estimate, exceeding the norm, especially the amount large state budget transfers, which continue to increase and take place for many years, are still slow to be overcome, which is a waste of the state budget...

The process of complying with the capital construction investment expenditure estimate from the state budget, besides the undeniable positive side, is contributing to the creation of important physical foundations of the national economy, sparking the stimulating economic sectors to invest in the construction of socio-economic infrastructure, the process of complying with capital construction investment expenditure estimates from the state budget still reveals many limitations, great loss and waste. In localities, there is often a situation of low revenue and high expenditure

because the construction, allocation and execution of budget estimates at the central and local levels have many shortcomings as well as the weaknesses of the method of budget management. current book. We still maintain the traditional management method, or budget management according to the input items, which has already revealed many weaknesses.

Hanoi City is one of the localities that has implemented budget management based on the output results. Hanoi People's Committee has actively directed its attached agencies and units to implement the mechanism of financial autonomy and self-responsibility. Typically, Hanoi Department of Health has proactively assigned financial autonomy in 2018 (phase 1) to 60 affiliated public administrative units. Accordingly, in addition to 5 hospitals that have implemented full autonomy in 2017 (including Hanoi Heart Hospital, Hoe Nhai Hospital, Saint Paul General Hospital, Hanoi Obstetrics and Gynecology Hospital, Hanoi Cancer Hospital,), in 2018, the Department of Health assigned 13 more hospitals to develop a plan for autonomy in recurrent expenditure [13]. Currently, 100% of administrative agencies under Hanoi city have implemented the mechanism of contracting administrative management funds according to the Government's regulations. State budget expenditure on construction of a number of important works and projects with large investment scale in the fields of environment, traffic and irrigation managed by Hanoi city has basically been managed according to the results of the project. output, except for some norms still regulated by state agencies. However, the responsibility of implementing the commitments of state agencies in the budget finalization according to the output results has not really met the requirements. There are still many outstanding loans for capital construction in districts and towns. One of the reasons for this situation is that State budget revenues do not meet the needs of State budget expenditures. Another reason is that Hanoi government still approves scattered investment projects and has not yet implemented hard budget discipline.

In the management of state budget expenditure, Ho Chi Minh City has actively assigned autonomy in terms of staffing and funding for administrative management to administrative agencies and public administrative units. The City Government encourages administrative agencies to actively rearrange their apparatus, save expenses, and allow the use of savings to increase incomes for officials and civil servants. In the management of state budget expenditures for capital construction investment, Ho Chi Minh City has actively managed state budget expenditures according to the progress of completing work items, prioritizing the allocation of capital for projects. key, urgent projects that are likely to be completed and put into use soon. During the operation, the City's functional agencies regularly review and monitor the progress of project implementation, the results of payment disbursement to advise the City People's Committee to adjust capital reduction. of slow-moving projects, supplementing those with good progress.[5]

(iii) Regarding the data on finalization of state budget expenditures, according to the regulations, the final settlement period is extended (18 months after the end of the budget year). The long budget settlement period has the advantage that it helps agencies and units have time to review the final settlement and audit, but it has the disadvantage that it reduces the role and effect of the budget settlement. state books. Source transfer also accounts for a large proportion and tends to increase in absolute number. Currently, the State Budget Law stipulates the responsibilities of superior financial agencies to appraise lower-level budget settlement reports, but such regulation

still has some limitations and shortcomings: Duplicate authority, overlapping and not hierarchical: the lower-level budget has been appraised by the same-level financial agency, now the higher-level financial authority is re-appraisal; The lower-level budget has been reviewed and approved by the People's Council at the same level, but now the higher-level financial authority has re-evaluated it, it is not hierarchical; Regulations on authority are also formal, increasing administrative procedures; In fact, the appraisal does not meet the requirements, mainly for the purpose of reviewing and comparing additional data from superiors to subordinates, comparing the aggregated data with details.

In general, compared with the previous period, the regulations on the responsibilities of agencies and units in the final settlement of the state budget in general, the final settlement of state budget expenditures have had certain improvements, but the previous shortcomings are now present. has not yet been fully resolved. Up to now, most of the budget-using units have a relatively good budget settlement team, however, in some units, this team is often unstable and often changes, so the quality is not stable. budget settlement is limited. There is still a situation of sending late and incomplete finalization reports, especially for those receiving authorized funding or funding for issuance of payment orders (for price and freight subsidies). The higher-level estimating units have not actively urged the subordinate units to prepare and send the final settlement report on time, so the review, approval, synthesis and submission of the final settlement report to the Ministry of Finance are behind the stipulated time. . Errors in data in the synthesis stage at the State Treasury still occur many times, the reports submitted to the financial authorities still contain many errors and have to be adjusted many times.

In Vietnam, although the 2015 State Budget Law mentioned the budget management based on the performance of the task (another way of calling the budget management according to the output), but currently there is no documents guiding the implementation of this regulation. The method of budget management in Vietnam is currently being implemented according to inputs, so it has not been able to link the budget with the output results, which has not yet reflected the operational efficiency and efficiency of budget use.

4. RECOMMENDATIONS

Therefore, some recommendations to improve the management of the state budget expenditure cycle according to outputs in Vietnam in the coming time are as follows:

Firstly, solutions to improve the quality of state budget expenditure estimation. Expenditure estimates must be based on economic and social tasks, ensuring national defense and security, specific targets and tasks of the plan year, and indicators reflecting the scope of tasks, operational characteristics, and conditions. economic and social conditions of each region. Gradually overcome the situation that the state budget expenditure estimates are mainly based on historical figures, mainly based on the results of the implementation of the state budget estimates of the previous year and adjacent years, not paying much attention to Due to fluctuations in the economic and social situation of each locality, major changes in the state's economic and financial management policies and regimes, it is not close to the needs of reality, the number of final settlements exceeding the estimate is still large. Studying and amending regulations on the timetable of the estimating process

in order to improve the quality of the estimating process; Apply a framework for assessing public expenditure and financial accountability to improve the reliability of state budget expenditure estimates. Using the results of estimation according to MTEF to develop annual state budget estimates. It is necessary to study and perfect the allocation and expenditure norms in a direction closer to actual needs. In addition, creating a coordination mechanism between the Finance agency, the Planning and Investment agency and the national target program management agency in making estimates of recurrent expenditures and capital construction investment expenditures. At the same time, enhancing the role of the National Assembly and the People's Council in deciding the state budget expenditure estimates.

Secondly, improve the quality of state budget expenditure estimates. Expenditure estimates must be based on economic and social tasks, ensuring national defense and security, specific targets and tasks of the plan year, and indicators reflecting the scope of tasks, operational characteristics, and conditions. economic and social conditions of each region. Gradually overcome the situation that the state budget expenditure estimates are mainly based on historical figures, mainly on the results of the implementation of the state budget estimates of the previous year and adjacent years. Due to fluctuations in the economic and social situation of each locality, major changes in the state's economic and financial management policies and regimes, so it is not close to the actual needs, the number of settlements exceeds that of the State. estimates are large. Innovate the method of assigning state budget expenditure estimates according to the contract regime. The management of the state budget according to output and results requires agencies and units using the state budget to be responsible for the output and results of spending the allocated state budget. Therefore, in order to specifically tie the responsibility for using the allocated state budget to the realization of the outputs, the quantity and quality of the planned outputs when discussing the necessary state budget estimates. The current method of allocating state budget estimates to agencies and units using state budget must be changed to the contract mechanism between state agencies competent to allocate state budget and agencies. agencies and units using the state budget.

Thirdly, the observance of state budget estimates should be ensured in accordance with the order and procedures prescribed in legal documents on state budget management. For units using the state budget, the allocation of state budget expenditure targets is an important basis for creating material conditions for performing assigned functions and tasks, and is responsible for finding material resources. compensate for its activities. It is necessary to strictly comply with the regulations on the order and procedures of development investment spending. To ensure the order and procedures for the observance of the state budget's regular expenditure estimates.

Fourthly, the final settlement of state budget expenditures must show compliance in state budget expenditures according to the estimates decided by competent authorities; reports on the effectiveness of state budget expenditures. State budget finalization must show compliance in collecting state budget according to law, spending state budget according to estimates decided by competent authorities; State budget finalization must report the efficiency of state budget revenues and expenditures. This is an important issue because each country's financial resources are limited; State budget settlement must be determined within a certain period of time, usually one year (12 months), in Vietnam the state budget year is determined according to the calendar year from January 1 to December 31.

Fifthly, to renovate the state budget expenditure cycle in the direction of improving the powers and responsibilities of agencies and units related to administration and management; enhance the role of inspection and supervision on state budget activities of the National Assembly, provide adequate, timely and accurate state budget activities to the National Assembly, so that the National Assembly can decide on issues related to state budget activities. important for the state budget. The state budget expenditure process has the participation of many actors. Each entity has different roles in the state budget process. Moreover, state budget expenditure is the use of public resources, so the actors both participate, coordinate with each other, and at the same time, some subjects also perform the function of monitoring other entities. In the coming time, Vietnam should promote the roles, powers and responsibilities of each entity in the state budget expenditure cycle.

Sixthly, to reform the state budget expenditure cycle in the direction of improving the accountability of state budget-using agencies in order to ensure thrift practice, contribute to fighting corruption and improve the efficiency of using state budget. State budget. In order to ensure the renewal of the state budget expenditure cycle in the direction of improving accountability, it is necessary to clearly define the objectives and tasks of the managers and users of the state budget. Decentralization of state budget expenditure should be clearly defined, linking rights with responsibilities. Sanctions for violations in the allocation and use of state budget should be strictly implemented. State budget expenditure justification should be considered as a regular activity in monitoring the use of state budget. Explanations must be made publicly and transparently.

Seventhly, step by step switch to implementing the state budget expenditure cycle in association with the state budget expenditure management method based on the output results. Output-based state budget preparation includes many stages. It is setting goals, selecting indicators and targeted results, monitoring performance, and analyzing and reporting these results against the set goals. Output-based state budgeting requires State agencies and the Government to establish management information systems related to the allocation and use of financial resources such as outputs, inputs, financing costs and the relationship between outputs and inputs, the effects of these factors on the government's desired outcomes, and the fit of spending with policy objectives.

5. CONCLUSION

In Vietnam, the promotion of reform of the public sector in general and the management of state budget expenditures in particular has made undeniable contributions such as the State has issued a series of policies on granting autonomy to change the state budget. Newly operated administrative agencies and units providing good public services to the people. However, there are still many inadequacies in the balance between authority and accountability for the outputs of service providers that have been clearly revealed. The renewal of the state budget cycle in general and the state budget expenditure cycle in particular is a complicated process that requires meticulous and thoughtful research and the efforts of not only government agencies and agencies. It also requires the consensus and determination of all state budget management agencies and beneficiaries so that the state budget can truly become a tool of the State's macro management, contributing to the development orientation of the State budget. develop production, regulate the market, contribute to stabilizing prices, stabilizing life, ensuring social security... responsibilities of different levels of government in the management of state budget expenditures.

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IMPACTS OF HUMAN RESOURCES DEVELOPMENT ON ECONOMIC GROWTH: AN EXPERIMENTAL RESULT OF VIETNAM

PhD. Vo Thi Van Khanh¹

Abstract: *This paper focuses on the interwoven relationship that exists between Training & education (levels of study) and human resource development & economic growth. Research data on 11 different countries in Southeast Asia is collected from the World Bank data for 60 years from 1961 to 2020. The study aims to assess the role of primary, secondary and tertiary education representing the quality of human resources and evaluates the contributions of human resources to economic growth. The results show that there is a positive relationship between the proportion of students attending primary and secondary schools and economic growth, and there is a negative relationship between the proportion of students attending university and economic growth. The results show that increasing investment in education at all levels requires appropriate adjustments to develop human resources, thereby creating a positive impact on economic growth.*

Keywords: *Human resource development, education and training, economic growth.*

1. INTRODUCTION

In our modern time, the role of human resources has been determined to be an important factor, beside capital and technology, which has an impact on economic growth. Especially, in the context of the Industrial Revolution 4.0, the human factor has become more important than ever. The role of human resources in economic growth has been recognized in theories of endogenous growth. Bassanini&Scarpetta (2001) have shown that human resources become a decisive factor for economic growth and poverty reduction. Furthermore, the foundation that helps improve the quality of human resources is the education and training system at all levels. Education is a systematic program of training and instruction organized and provided specifically for young people in schools and colleges as well as higher education levels. It describes the entire human learning process, through which knowledge is imparted, in order to train and develop human resources to feed themselves and develop the country. Education acts as the agent of culture which is the means by which the culture of a particular society is inherited, changed for the better, and preserved and passed on to the next generations of the society.

In addition, Human Resources play an important role in ensuring the success of an organization. Growth and expansion at the organizational level will eventually become economic growth at the macroeconomic level. Thus, the important role of education in human resource development toward the national growth and development can be clearly seen. In this recognition, each country has set forth its own national educational goals including: inculcating national consciousness and

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national unity; inculcating the right values and attitudes for the survival of individuals and society; training the mind in understanding the world around; and the acquisition of appropriate skills and the development of mental, physical and social abilities and capacities as a means for the individuals to live and contribute to the development of society.

With regards to this point of view, Adeniyi (1995) finds that an important aspect of human resource management that is often overlooked today is employee training and development. In addition, in the view of Ejiogu (2001), most education systems should aim to serve recruitment needs and practical requirements. In that context, this study evaluates the impact of different types of training on the quality of human resources, assesses the contribution of human resources to economic growth and the interrelationship between training and education, human resource development and economic growth in VietNam

Recently, this topic has continued to raise eyebrows of researchers. Rahim et al (2021) affirm that human capital development is one of the driving forces for economic growth. In addition, these findings require the relevance of increased investment in human resource development to achieve higher economic growth in the group of 11 countries following the BRIC.

Thus, it can be seen that research on the impact of human capital on economic growth has always been a topic of great interest. Sharing ideas with Ejiogu (2001) or Bassanini&Scarpetta (2001), the study explores the impact of the role of human resource development through training levels on economic growth in Southeast Asian countries in order to contribute more empirical evidence on the topic. The structure of the rest of the paper includes: Part 2 presenting the Research Overview; Part 3 presenting experimental results and Part 4 providing Conclusions and recommendations.

2. RESEARCH OVERVIEW

Human resource management refers to activities related to the achievement, development and maintenance of creative and effective efforts in the organization (see Ejiogu (2001)). While, the Institute of Human Resource Management, UK, describes human resource management as the tight collection of all the individuals that make up the organization and ensure that each of them contributes their best to achieving the organizational goals. Human resource management also includes planning for employment needs, recruiting, selecting, training and developing competent employees and placing them in a productive work environment and rewarding their performance. Mosley et al. (1996) or Anyim et al (2001) describe human resource management as complex and problematic because individuals as workers hardly adapt or voluntarily accept regulations on employee behavior in the workplace. Both human resource management and development have the ultimate goal of providing the right quality of human resources needed to ensure increased organizational productivity and economic state, leading to growth at the macroeconomic level. Accompanying that goal is always the role of education and training activities in ensuring high quality human resources.

On the other hand, economists have distinguished between short-term economic stability and long-term growth. Economic growth is mainly concerned with the long run. The aim of government policy is to encourage economic activity without encouraging an increase in the general price level, which means increase GDP without creating inflation. Growth in income (or GDP) per person is the basic measure of economic progress used by economists. In addition,

Fapohunda (2004) describes gross domestic product (GDP) as the market value of all goods and services produced in a country using a country's factors of production in a certain period of time, usually a year. The calculation of GDP is considered only as the market value of final goods and services produced in a particular time frame and the nationality of the human resource (i.e. labor force) is immaterial. GDP is a major component of economic growth which is subjected to annual calculation, and focuses on the long-term horizon. Agba (1994) describes economic growth as a net increase or addition to the capital stock that enables an increased output of a quantity of goods and services. Alternatively, it can be thought of as a long-term change (usually an increase) in an economy's productive capacity. The productive power of the economy is the produced output, if all economic resources are fully utilized. Economic growth spikes as the economy's capacity increases, which is fundamentally needed to produce more goods and services. Fapohunda (2004) observes that the three components of economic growth include: An increase over a long period of time in the county's ability to supply a wide range of goods to the population, and that diversity itself is increasing; Economic growth depending on technology and it is advancing, requiring institutional and ideological adjustments to make effective use of new innovations and discoveries; And the main contributors to economic growth being: the increase in labor supply, physical capital, productivity and technology advancement.

There is a strong positive relationship between investment in education and economic growth, in which labor input accounts for just over 60% of total economic growth and increases in labor quality (education and training) explaining about 40% of this labor contribution. A 1% increase in human capital growth accounts for 11% of GDP growth, although this strong and positive association was evident in countries with a better allocation to education (Wilson & Briscoe, 2004). According to Briscoe & Wilson (1998), education is one of the determinants of per capita income, drawn from an empirical study of participants in UK higher education institutions. The education literature review also found a similar association between the demand for both primary and secondary education and the increase in national income. The research idea of Briscoe & Wilson (1998) is the source for the author to carry out this study with the situation of Southeast Asian countries.

3. EXPERIMENTAL RESULTS

3.1. Data and research methods

The author selected data from 11 Southeast Asian countries, including Vietnam, Laos, Cambodia, Thailand, Myanmar, Malaysia, Singapore, Indonesia, Brunei, Philippines and East Timor from 1961 to 2020, from the World Bank data, on the representative variables for education and training at all levels to economic growth, respectively in 4 models as shown in Table 1.

Table 1. Research models

Models	Dependent variable	Independent variable
Model 1	Annual GDP growth (%), denoted GDP_growth	Enrolment rate in primary education (% of total), denoted HR1
Model 2		Enrolment rate in secondary education (% of total), denoted by HR2
Model 3		Enrolment rate in undergraduate education (% of total), denoted by HR3

Source: Author

With array data, the author chose to apply Pooled Ordinary Least Square (POLS), Fixed Effect Model (FEM) and Random Effect Model (Random Effect Model (REM), from which to propose most suitable models in each scenario.

3.2. Estimation results

Firslly, statistics describing the variables are presented in Table 2.

Table 2. Descriptive Statistics of studied variables

Variable	Average	Minimum value	Maximum value	Standard deviation
GDP_growth	6,235	-34,808	33,564	5,547
HR1	104,917	27,702	140,931	13,013
HR2	56,014	3,697	120,651	25,544
HR3	13,960	-19,826	88,886	15,013

Source: Author

Specifically, Table 2 shows that the average GDP growth rate of countries in Southeast Asia is 6.235%, the average enrolment rate at different study levels gradually decreased from primary school, to high school and undergraduate level was respectively 104.917%, 56.014% and 13.960%. The lowest GDP growth belongs to Cambodia, in 1994 at -34.808%, while the highest recorded at 33.564% in Brunei in 2017. The graph of variables is as shown in Figure 1.

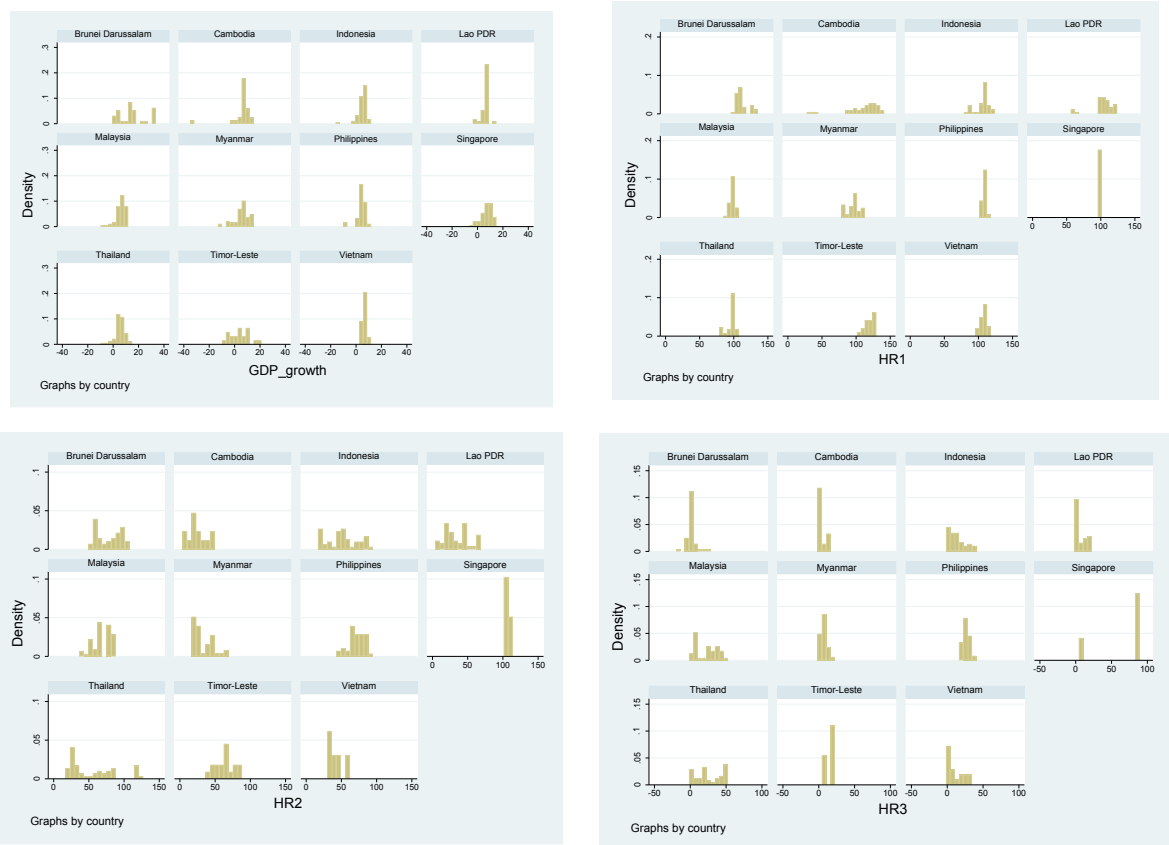


Figure 1. Graph of research variables

Source: Author

Firstly, it is possible to refer to the correlation coefficient between economic growth and the independent variable in each model, to predict the fluctuation direction of human resource training to economic growth.

Table 3. Correlation coefficients

	Correlation Coefficients (Probability Values)
GDP_growth and HR1	0.0726
GDP_growth and HR2	0.1391
GDP_growth and HR3	-0.2646

Source: Author

It can be seen that, according to Table 3, primary and secondary school enrolment rates have impacts in the same direction to the growth rate of GDP in the countries of Southeast Asia, but the undergraduate enrolment rate to have an impact in the opposite direction to the growth rate of GDP in the countries in the region.

In order to perform Regression, this study used POLS, FEM and REM models. The model selection process was as follows: to choose Pooled OLS or REM, it was necessary to perform Breusch and Pagan Lagrangian tests. The results obtained in all 3 models of the probability value of Breusch and Pagan multiplier tests were close to zero. Therefore, the author rejected the hypothesis H_0 , accepted the hypothesis H_1 , or the REM model is more suitable than the POLS model. To choose Pooled OLS or FEM, it is necessary to base on the value of the F test, and the results showed that the probability values were all very close to 0, thus, for all 3 scenarios, the FEM model is more suitable than the POLS model. Finally, to compare between REM and FEM, Hausman's test with probability values was greater than 0.05, so the author had no basis to reject the original hypothesis, or to be sure REM model to be more appropriate to use. As a result in the static analysis, REM was the best option for all 3 scenarios.

Table 4. Results of model selection

Model	POLS/REM	POLS/FEM	REM/FEM
Model 1	REM	FEM	REM
Model 2	REM	FEM	REM
Model 3	REM	FEM	REM

Source: Author

However, in order to make regression results reliable and usable as empirical evidence, the author also needed to perform tests with the REM model in all three scenarios. The results showed that both autocorrelation defect and variable error variance exist in each model, therefore, REM models needed to be calibrated. The final estimated results are as shown in Table 5 below.

Table 5. Estimation results of the modified Model REM

Model	Modified Model REM
Model 1	
Model 2	
Model 3	

Source: Author

Thus, this result is quite consistent with the above correlation analysis table.

4. CONCLUSIONS AND RECOMMENDATIONS

Table 5 shows that there is a positive contribution of primary and secondary education training to GDP growth of Southeast Asian countries in the period 1961-2020. The results show that the quality of human resources in general in Southeast Asia remains very basic, at a common level. While the undergraduate enrolment rate is a factor that is contrary to GDP growth, it shows that higher education still faces some shortcomings that need to be quickly improved, in order to provide human resources according to the society's realistic needs. The results in Table 5 show that human resource development has a significant positive impact on economic growth. According to Barrow (1991), a study of 98 countries from 1960 to 1985 and relating to the real growth rate GNP per capita compared initial human capital, represented by the enrollment rate, shows that output growth is positively correlated with primary and lower secondary enrollment. The findings are consistent with the findings of Gemmell (1996) who studied OECD data sets and found that a 1% increase in the workforce with a secondary education boosts average GDP growth per capita to increase by 1.1%. Therefore, it can be affirmed that this is empirical evidence that shows a strong positive correlation between human resource improvement and economic growth.

Accordingly, the author proposes a number of recommendations to help develop human resources towards the goal of economic growth in Southeast Asian countries, as follows:

Firstly, continue to prioritize, invest, and significantly increase the funding for the primary and upper secondary education sector, which Vietnam is doing very well when it comes to universalizing primary and lower secondary education.

Secondly, the high school training program should continue to maintain and further strengthen the practical, essential, career-oriented knowledge early and firmly, helping the workforce to join the human resources after graduation, or after a human resource training course suitable to the needs of the enterprise.

Thirdly, continue to reform higher education, in the direction of training high-quality human resources in line with reality and training knowledge and skills to meet the needs of enterprises, effectively linking theoretical learning with internships.

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DIVESTMENT OF STATE-OWNED SHARE AND VIETNAMESE LISTED FIRM PERFORMANCE

Associate Professor. PhD. Doan Huong Quynh¹, PhD. Nguyen Anh Quang¹, Vu Hoang Mai¹

Abstract: *Vietnamese government has been promoted the privatization of state-owned enterprise (SOEs) for over 30 years now. The research investigates the effect of privatization, specifically, divestment of state ownership on the performance of all listed firms on the Ho Chi Minh City Stock Exchange (HOSE) and The Hanoi Stock Exchange (HNX) from 2010 to 2020. On one hand, when state lose control of the listed firm (state ownership drop from more than 50% to below 50%), firm perform better. On the other hand, when state lose significant influence of listed firms (state ownership drop from more than 20% to below 20%), firm perform significantly worse.*

Keywords: *firm performance, state ownership, divestment.*

1. INTRODUCTION

Under the economic reforms policy, Vietnamese government has been privatizing state-owned enterprise (SOEs) using equitization since 1992. According to the State Audit Office of Vietnam, the government has successfully equitized 631 SOEs since 2011 with the total capitalization of 1,040,224 billion dong. In 2021, further 183 SOEs are planned to be privatized by the states.

Previous literature has shown that state ownership has a mixed effect on firm performance. On one hand, many researches argue that state ownership has a negative effect on firm performance because of the conflict between owners' objectives as well as the agency problem (Meyer et al., 2016; Lazzarini and Musacchio, 2018). Others have found that state ownership has a u-shaped relationship with firm performance (Sun et al., 2002; Wei and Varela, 2003; Tian and Estrin, 2008; Yu, 2013). Firms perform worse under a certain reflect point and perform better when state-owned share increased. Studies in Vietnamese market also show a U-shaped relationship between state ownership and firm performance (Tran et al., 2015).

In this paper, we investigate the impact of the divestment of stated-own share (or state capital) on firm performance. We use sample of all listed Vietnamese firms listed on the Ho Chi Minh City Stock Exchange (HOSE) and the Hanoi Stock Exchange (HNX) between 2010 and 2020. We employ a OLS regression model with year and industry fixed effect.

We find that firms perform better when state-owned share drops from more than 50% to lower than 50% or in other word, state loses its control. We argue that state-control firms tend to perform worse than their peers because of the conflict between state's objectives and other stakeholders'

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objectives as well as the agency problem. When state drops their control, performance of these firms increases as the conflict or the agency problem has been resolved.

Furthermore, we also find that firm perform worse when state-owned share declines from more than 20% to lower than 20% or in other word, state loses its influence. We argue that state-influenced firms tend to perform better because they are able to access to loans easier or to lower-cost-non-collateral loans. When state drops its influence, these firms lose these benefits and thus, there performance declines.

2. LITERATURE REVIEW

State ownership brings important advantages for firms such as “patient capital”, exclusives rights to operate in certain industries or geographical areas, networks with foreign government, and other resources typically not available to private firms (Aguilera et al., 2021). Previous literature on state equity ownership has shown mixed results with regard to the relationship between state ownership and firm performance. On one hand, researchers consider state ownership is an inefficient ownership and negatively affect firm performance (Nielsen and Nielson, 2016; Lazzarini and Musacchio, 2018). Lazzarini and Musacchio (2018) suggests that the reason SOEs perform worse than other firms are that SOEs are more likely to have multiple objectives as well as social objectives/political objectives and for most of the time, those objectives conflict with the objectives of other stakeholders of the firm. Furthermore, SOEs tend to have ineffective administration and pursue risk averse strategies and that lead to a reduction of firm performance.

However, a series of study of the relationship between state ownership and firm performance in China has shown that state ownership has a U-shaped relationship with firm performance (Sun et al., 2002; Wei and Varela, 2003; Tian and Estrin, 2008; Yu, 2013). At the beginning, state ownership has a negative impact on firm performance but after a reflection point, state ownership begins to have a positive impact on firm performance. Yu (2013) finds that the reflection point is about 32%, suggesting that performance of firms with state ownership of lower than 32% are negatively impacted by state ownership while firms with more than 32% state ownership are positively affected by the state ownership.

In Vietnam, Tran et al. (2015) use the game theoretical model to examine the effect of state ownership on firm performance and find that the effect of state ownership on firm performance depends on the size of firms. They find that increased state ownership in larger SOEs is more likely to improve the performance in term of profitability and efficient use of labor. The authors suggest that with larger firms, the “helping hand” (state ownership bring more capital subsidy) dominates the “grabbing hand” (state ownership extracts firm’s profit). On the other hand, Tran et al. (2015) conclude that the effect of state ownership on small and medium size firms is opposite of their larger peers. Less state ownership has a positive impact on the performance of smaller and medium SOEs, suggesting that with smaller and medium SOEs, the “grabbing hand” dominates the “helping hand”.

In Vietnam, prior study has shown that state ownership has couple of advantages for firms. Tran et al. (2015) find that one benefit of state ownership is that firm with major state ownership are more likely to borrow easily. Mishra (2011) suggest that subordinated companies are able to

accessed lower cost non-collateral loans to increase employment and to attract investment to less profitable industries.

Gainsborough (2009) argues that equitization in Vietnam is a different form of state intervention rather than a complete privatization. More often than not, state influence in SOEs is still prominent after equitizing due to the inability separation between ownership and management (Gainsborough, 2009). Equitized SOEs managers tend to rely on states for operation because of the advantage of state interventions.

Hong (2018) explores the effect of state ownership on firm performance of 58 companies experiencing significant divestment of state equity ownership on HNX and HOSE. He finds that the divestment of state-owned share does not have a significant effect on firm performance. However, Hong's study suffers from a small size of sample (58 companies), unreliable sources of data (Vietstock website) and insufficient information.

As can be seen, previous literature on the relationship of state ownership and firm performance are very thorough even though the results are mixed. However, there are very few research studies the impact of divestment of state capital on SOEs. Vietnamese government has been vigorously pursuing the divestment of state equity on SOEs and understanding of the effect of this policy on firm will shed a light on how a channel through which state ownership affects firms.

3. THEORY AND HYPOTHESIS DEVELOPMENT

Previous literature examines the relationship between state ownership and firm performance using agency theoretical logic. The agency theory suggests that the negative relationship between state ownership and firm performance is due to the limited willingness and ability of state owners to advance firm performance. State ownership could create a conflict of interest between state objectives and business objectives and thus, create agency costs that reduce efficiency and firm performance. Furthermore, states may use their majority position to push firms to prioritize social objectives rather than business objectives.

This section explains the hypothesis underpinning the investigation of the relationship between state divestment and firm performance. We propose the following hypothesis:

H_{1A} : *Divestment of state ownership has a significant effect on Vietnamese firm performance*

The null hypothesis is that divestment of state ownership does not influence firm performance. If the null hypothesis is rejected, the reduction of state equity on SOEs have a significant effect on firm performance. On one hand, state ownership brings many advantages to SOE such as easier borrow, less cost non-collateral loans and thus, reduction on state equity could have a negative impact on firm performance. On the other hand, the conflict of SOEs' objectives and agency problem could be reduced with the divestment of state ownership and those could bring a positive effect on firm performance.

4. RESEARCH DESIGN

4.1. Divestment of state ownership and firm performance

To examine the effect of divestment of state ownership on firm performance ($PERFORM_{i,t}$), the following fixed effect model is estimated:

$$PERFORM_{i,t} = \beta_0 + \beta_1 DIVEST_{i,t} + \gamma_j \sum_{j=1}^5 CONTROL_{i,j,t} + \lambda_k \sum_{k=1}^{40} YEAR_{i,k,t} + \varphi_{l,m} \sum_{k=1}^{10} INDUSTRY_{i,k,t} + \varepsilon_{i,t} \quad (1)$$

where $PERFORM_{i,t}$ is firm performance ratio (either ROA or ROE) for firm i in year t . ROA is defined as the proportion of net income over total assets while ROE is defined as the proportion of net income over equities. $DIVEST_{i,t}$ is a dummy variable (either LOSE_CONTROL or LOSE_INFLUENCE) control for the divestment of state equity. LOSE_CONTROL is a dummy variable equal to 1 during and after the period of state share changes from more than 50% to less or equal to 50% and 0 otherwise. LOSE_INFLUENCE is a dummy variable equal to 1 during and after the period of state share changes from more than 20% to less or equal to 20%. Under β_1 , state divestment is either positively or negatively related to firm performance, which would implied β_1 .

Table I. Variable definitions

Variable	Definition	Construction	Expected sign
ROA	Return on assets, defined as net income over total assets.	$ROA = \frac{\text{net income}}{\text{total assets}}$	
ROE	Return on equity, defined as net income over equity.	$ROE = \frac{\text{net income}}{\text{equities}}$	
LOSE_CONTROL	Representing SOEs lose control as state share falls below 50%	Dummy variable equal to 1 during and after the period of state share changes from more than 50% to less or equal to 50% and 0 otherwise	+/-
LOSE_INFLUENCE	Representing SOEs lose influence as state share falls below 20%.	Dummy variable equal to 1 during and after the period of state share changes from more than 20% to less or equal to 20% and 0 otherwise.	+/-
INTEREST	Interest expenses, defined as total interest expenses over total assets	$INTEREST = \frac{\text{interest expenses}}{\text{total assets}}$	-
SIZE	Firm size is the natural log of total assets	$SIZE = \ln(\text{total assets})$	+
LEV	Firm leverage, defined as total liabilities over total assets.	$LEV = \frac{\text{total liabilities}}{\text{total assets}}$	-

GROWTH	Firm growth rates, defined as percentages changes of EBIT	$GROWTH = \frac{EBIT_{i,t} - EBIT_{i,t-1}}{EBIT_{i,t}}$	+
RT	Receivable turnover, defined as revenue over average receivables.	$RT = \frac{revenue}{AVER(receivables)}$	+
YEAR	A set of dummy variable control for year fixed effect	Dummy variable equal to 1 for a given quarter and 0, otherwise	
INDUSTRY	A set of dummy variable control for industry fixed effect	Dummy variable equal to 1 for a given industry according to the ICB1 code and 0, otherwise.	

This table provides the definitions of key variables and data sources.

is consist of 5 characteristics for firm i in year t , including interest expenses (INTEREST), firm size (SIZE), leverage (LEV), growth rate (GROWTH) and receivable turnover (RT). is dummy variable control for year (in our case quarter) fixed effect. is dummy variable control for industry fixed effect. Table I details definition and measure of each variable.

4.2. Divestment of state ownership

LOSE_CONTROL is defined as when state-owned share has changed from over 50% to below 50%. According to International Financial Reporting Standards 10 (IFRS 10), shareholders has more than half of the voting rights of the investee has the power of controlling investee and making decision over the invested company regardless of other factors (IFRS 10, B35). If state own more than 50% of shares, it has the power of majority of the voting rights and thus can control business decision through the voting rights. Hence, when state-owned share drops from more than 50% to below 50%, it is considered as state lose control over that specific firms and thus, a significant divestment.

LOSE_INFLUANCE is defined as when state-owned share has dropped from over 20% to below 20%. According to the International Accounting Standard 28 (IAS 28), when an entity holds 20% or more of the voting power, it is considered that entity has significant influence over the firm. Thus, if state-owned share declines from over 20% to below 20%, it is regarded as state lose the influence over the firm and thus, a significant divestment.

5. DATA SAMPLE

5.1. Sample selection

The data sample includes all listed Vietnamese firms listed on the Ho Chi Minh City Stock Exchange (HOSE) and the Hanoi Stock Exchange (HNX) between 2010 and 2020. Quarterly financial data are obtained from the FiinPro database. The changes of state ownership are on a daily basis and the highest frequency of firm's financial data is quarterly. Since we want to capture the immediate effect of changes on state ownership to firm, we decide to use the quarterly data instead of yearly data. Financial firms (including banks, financial services, insurances and investment funds) are excluded from the main sample because of the differences in financial structure. All

variables (except for dummy variables) are winsorized at 1st and 99th percentile to reduce the effect of outliers. The final sample consists of 668 unique firms and 19,688 firm-quarter observations.

5.2. Descriptive statistics

Table II reports the summary statistics for all variables. The mean value of ROA is 1.360% and the median is 0.935% showing that the profitability per quarter of Vietnamese listed firm is decent. The maximum and minimum value of firm size shows that Vietnamese listed firm size discrepancy are large between largest firms and smallest firms (about 1,000 times differences). The mean value of LEV is 52.83%, suggesting that on average listed firms rely heavily on debt financing. The mean value of GROWTH is 0.71% suggesting a slow growth rate of earnings. The mean value of RT is 12.85, indicating a quick receivable turnover among listed firms. The average value of INTEREST is 0.475%, implying a small interest obligation that firm have quarterly.

Table II. Summary statistics

VARIABLES	Obs	Mean	Sd	Min	Max	Median
LOSE_CONTROL	19,688	0.070	0.255	0	1	0
LOSE_INFLUENCE	19,688	0.020	0.139	0	1	0
ROA	19,688	1.360	1.911	-3.752	8.371	0.935
ROE	19,688	2.904	4.573	-13.00	22.92	2.260
SIZE	19,688	27.42	1.493	24.20	31.59	27.37
LEV	19,688	52.83	21.11	7.297	96.97	54.72
GROWTH	19,688	0.710	49.71	-235.1	249.9	0.359
RT	19,688	12.85	24.07	0.428	181.3	6.244
INTEREST	19,688	0.475	0.431	-0.002	2.025	0.373

This table provides the descriptive statistics of the sample, which includes all listed Vietnamese firm from 2010 to 2020. See Table I for variables' definitions. Variables are winsorized at 1st and 99th percentiles (except for dummy variables, LOSE_CONTROL and LOSE_INFLUENCE).

6. EMPIRICAL RESULTS

Table III shows the regression results of Eq (1), using OLS approach. The key variable of interest is LOSE_CONTROL (LOSE_INFLUENCE) that capture the moment of state lose its control (influence) over listed SOEs. Column (1) and (3) shows the results of losing control on performance, ROA and ROE, effectively. In Column (1), the coefficient of LOSE_CONTROL is positive and significant at the 5% level, indicating that listed firms perform better after state-owned share drops from above 50% to below 50%. The coefficient magnitude is 0.126%, suggesting that on average, ROA of listed SOEs after state control are 0.126% higher than before. In Column (2), the coefficient of LOSE_CONTROL is also positive and significant at the 5% level, further confirming the effects of state losing control over firm performance. On average, ROE of state-losing-control firms are about 0.3% higher than those of state-controlling firms.

The results suggest that firms perform better when state is not in control of the business decision. This positive change could be the result of the resolved confliction between state's

objectives and other stakeholder's objective or the resolved agency problem between state as the owner and firms' managers or it could be the result of changing into better management, monitor system and less risk adverse business strategies.

Column (2) and (4) report the results of state losing influence on performance. In Column (2), the coefficient of LOSE_INFLUENCE is negative and significant at 10% level, suggesting that when state lose its influence, firms perform worse. Similarly, in Column (4), the coefficient of LOSE_INFLUENCE is negative and significant at 1% level. This result indicates that firm performance in term of ROE is significantly affected when state-owned share in such firm drops from more than 20% to less than 20%. This is contrary to the results when state loses control.

The results suggest that losing state influence could cause a significant decline in the performance of SOEs. Previous literature has shown that SOEs have an advantage of being subsidy by the government or being able to access to low-cost-non-collateral loans. When state no longer has significant influence in SOEs, these SOEs could lose these advantages and thus, could perform worse than before.

The coefficients of control variables all have corrected sign and are significant at the 1% level. Interest expenses (INTEREST) and leverage (LEV) have a negative impact on firm performance. This shows that higher financial risk (higher interest expenses) or higher credit risk (higher leverage) will cause a significant decline on firm performance. Firm size (SIZE), growth rate (GROWTH) and receivable turnover (RT) have a positive effect on firm performance. Larger firms with higher growth rate and high receivable turnover are more likely to perform better than smaller firms with less growth potential and slow receivable turnover.

Overall, the effect of divestment of state capital on firm performance depends on whether state lose its control or its influence. When state drop its control, SOEs are more likely to perform better. On the contrary, when state drop its influence, performance of SOEs suffers. This suggests that the advantages of having state-influence are still prominent among listed Vietnamese enterprise.

Table III. Divestment of state-owned equity and firm performance

Variable	(1) ROA	(2) ROA	(3) ROE	(4) ROE
LOSE_CONTROL	0.126** (2.54)		0.302** (2.44)	
LOSE_INFLUENCE		-0.150* (-1.67)		-0.630*** (-2.80)
INTEREST	-0.757*** (-20.72)	-0.757*** (-20.72)	-1.655*** (-18.10)	-1.655*** (-18.10)
SIZE	0.094*** (9.83)	0.093*** (9.75)	0.147*** (6.17)	0.145*** (6.09)
LEV	-0.019*** (-25.45)	-0.018*** (-25.26)	0.018*** (9.62)	0.018*** (9.94)
GROWTH	0.007***	0.007***	0.016***	0.016***

	(26.44)	(26.42)	(24.62)	(24.59)
RT	0.007***	0.007***	0.014***	0.014***
	(13.05)	(13.07)	(10.56)	(10.57)
Year fixed effect	Yes	Yes	Yes	Yes
Industry fixed effect	Yes	Yes	Yes	Yes
Constant	0.365	0.386	-0.922	-0.869
	(1.38)	(1.46)	(-1.40)	(-1.32)
Observations	19,266	19,266	19,266	19,266
Adjusted R-squared	0.174	0.174	0.090	0.091

This reports the results of Eq. (1) using OLS model approach. The dependent variable ROA (ROE) is return of asset (return of equity) controlling for firm performance. The independent variable of interest is LOSE_CONTROL (LOSE_INFLUENCE) is variable controlling for when state lose control (influence) over SOEs. The control variable is interest expenses (INTEREST), firm size (SIZE), leverage (LEV), growth rate (GROWTH) and receivable turnover (RT). is dummy variable controlling for year (in our case quarter) fixed effect. is dummy variable controlling for industry fixed effect. Numbers in parentheses are t-statistics. ***, **, and * denote significance at the 1%, 5%, 10% levels, respectively.

7. CONCLUSION

This paper investigates the impact of divestment of state-owned share on firm performance. We argue that the divestment of state capital could solve the conflict of state's objectives and other stakeholders' objective as well as the agency problem posed by state ownership. On the other hand, we argue that state divestment could also have a negative impact on firm as such firm will lose many of the SOEs advantage such as the lost of accessible to low-cost-non-collateral loans or easier loan process.

We use a sample of all listed Vietnamese firms from two stock exchange, HOSE and HNX, from 2010 to 2020. We find that when state-owned share drops from more than 50% to below 50% (state loses its control), firm performance is improved. This suggest that the conflict of different objectives or the agency problem in state-control firms is significant and when state drop its majority ownership, firms perform better. On the other hand, we also find that the fact that state-owned share drops from more than 20% to less than 20% (state loses its influence) would cause a significant decline in firm performance. This suggests that when a firm lose state-influence status, it also is more likely to lose the benefit of a state-owned firm which is easier access to loans or access to non-collateral loans at lower cost. As the results, these firm will perform worse than their peers.

Aside from the research findings, there are some limitations: the study includes all listed Vietnamese firms in HOSE and HNX, meaning all listed SOEs are included. However, there are significant number of SOEs are non-listed firms. Because of the lack of publicly disclosed information on non-listed firms, the result of the study is limited to listed firms. Also, the financial data of this study is collected from Fiiipro. Although, Fiiipro is the biggest and most complete providers of the financial data in Vietnam, the reliability and completeness of their financial information is questionable. Thus, a further verification of the accuracy of financial data from Fiiipro should be performed.

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IMPACT OF VIETNAMESE UNIVERSITIES' FINANCIAL AUTONOMY ON STUDENTS' CHOICE OF SCHOOL

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Abstract: *This paper aims to analyze the effects of financial autonomy of Vietnamese universities on students' decision to choose a university. By using the qualitative research methods and quantitative research method, the authors have identified seven factors that affect students' choice including (1) Access to educational service; (2) Infrastructure; (3) Training environment; (4) Education Program; (5) Teaching Staff; (6) Job Opportunities; and (7) Extracurricular Activities. The model results are consistent with the reality of autonomy of schools in Vietnam today. Job opportunities are the most influential factor in students' decision to choose a school.*

Keywords: *financial autonomy, students' choice of university, education.*

1. INTRODUCTION

The Vietnamese education system in general and universities in particular are trying their best in the process of building and affirming the brand in the region and in the world. After more than 60 years, Vietnam's higher education has made many efforts to innovate and develop, in particular, the school system and educational scale have grown rapidly, implementing education for the whole people, meeting the needs of the entire population. People's learning is increasing, and the qualifications of workers are improved, the quality of education and training is improved, contributing to meeting the human resource requirements for socio-economic development, at the same time. education socialization and international cooperation were promoted, achieving many important results. But in general, the transformation of Vietnamese higher education is still slow, showing that the training quality is low, the scale has not met the development needs and requirements of the society, the structure of the university system is still unreasonable, the autonomy and social responsibility of the schools are not high, the training program is still quite rigid, inflexible, slow in integration, etc. One of the shortcomings and weaknesses can be considered as the factor affecting the quality of training is financial management.

University education requires huge financial resources. Financial sources for higher education include the state budget and lawful revenue sources from higher education institutions. Currently, in the text that the budget for higher education is still limited, the implementation of financial autonomy in public universities is a necessity in order to effectively use resources and mobilize society's resources for higher education development. With the granting of autonomy and financial responsibility to public higher education institutions, it opens opportunities for public higher

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education institutions to improve their positivity, initiative and creativity. created in financial and asset management of the unit, using the allocated state budget more economically and effectively.

Thanks to the financial autonomy mechanism, universities have made many positive changes in teaching and learning as well as modernizing their facilities to meet the higher education needs of the society. In the past time, the number of students entering the autonomous schools tends to increase. So how does financial autonomy affect students' decision to choose a school in the past time? To clarify this issue, the topic "Impact of Vietnamese universities' financial autonomy on students' choice of school" was selected for research to explain the important role of financial self-control on the students' decision of selecting school.

Within the scope of the study, the authors choose the indirect approach to deal with the topic. First, we analyze how financial autonomy influence the quality of universities, then we evaluate the impact level of these renovations on the students' selection of universities.

2. LITERATURE REVIEW

Research on the impact of financial autonomy on universities' quality

Estermann Thomas (2015) addressed the question of university autonomy in Europe and the countries of the Tempus Athena project to contribute to the development, reform and modernization of the higher education system in Armenia, Moldova and Ukraine. In addition, Cazenave (1992) access to university education institutions and their financial autonomy. University education as an entity with both monetary and non-monetary resources, including public finances, staff, scientific facilities, and physical and equipment ownership.

The doctoral thesis in Economics of Nguyen Minh Tuan (2015) analyzed and determined the impact of financial management on the quality of university education through the illustrations evidenced by statistics and surveys at 8 universities under the Ministry of Industry and Trade and proposed some solutions. The author has clarified the content of financial management in higher education and the impact of financial management on the quality of higher education through quality assurance factors (training programs, teaching staff, infrastructure, learning materials for teaching and training management) and quality improvement indicators. The thesis has affirmed that the allocation of resources based on the needs of universities has a great impact on the quality of education. Financial management activities and the implementation of policies in management activities have a direct impact on the quality of education such as training programs, teaching staff, infrastructure, and learning materials for teaching and training management. Thereby, the thesis also researched the criteria for assessing the quality of higher education based on the satisfactions of lecturers, students, and employers as well as education quality improvement level. On the other hand, if the financial conditions are low, the financial management mechanism has little impact on the quality of education.

Research on the factors affecting the students' choice of school

Joseph Sia Kee Ming - Faculty of Marketing and Management Curtin University Business School, Sarawak Malaysia, has proposed a conceptual framework model of factors affecting students' decision to choose a university in Malaysia. The research results show that the students'

decision to choose a university is influenced by the "Characteristics of the university" including: location; education program; reputation; infrastructure; Tuition fees; financial support; job opportunities and the "communication efforts with students" includes: advertising; enrollment representative; exchange with high schools; the university campus. The model proposed by the author only stops at the introduction of factors that can affect the decision to choose a college, so it is necessary to measure the factors and test the model.

Tran Van Qui and Cao Hao Thi, University of Science and Technology - Vietnam National University in Ho Chi Minh City, conducted a study on the topic "Factors affecting the decision to choose a university of high school students". The analysis results of 227 answer sheets of 12th graders in the 2008-2009 school year of 5 high schools in Quang Ngai show 5 factors including future job opportunities; characteristics of the university; the individual students themselves; Personal factors influence student decisions and available information factors influence college choice decisions.

3. METHODOLOGY AND PROPOSED MODEL

Method

The study applied mixed method of qualitative and quantity methods and was conducted into two phases: the pilot study and the main survey. The first stage used qualitative methods to explore and found out factors affected by financial autonomy that affect students' decision to choose a school. This method was conducted through in-depth theories are compiled from many sources. This stage aimed to review whether the research questions were appropriate or not before implementing the main survey. In the second phase, the quantitative method of EFA was undertaken to assess the impact level of each factor on students' choice of school.

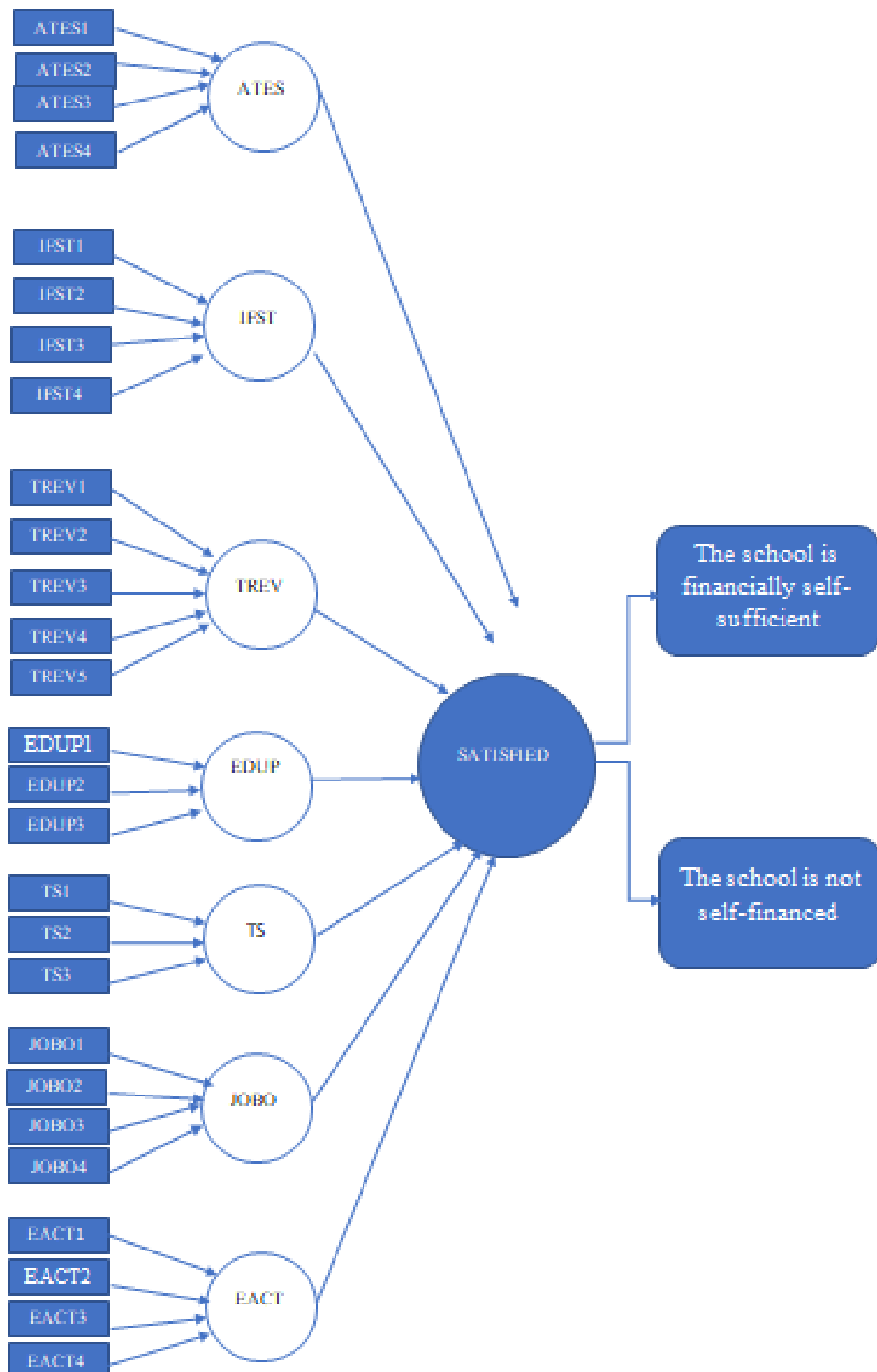
Sample and data collection

Data is collected from survey in various universities mainly in Hanoi, Ho Chi Minh City which as both are financial self-control and not. The total number of samples is 265.

Proposed Model

In theory, students' choice university is influenced by many factors. However, based on the models of previous research, the authors group into 7 main factors as the below:





The proposed model is as follows:

$$STF_t = \alpha_0 + \alpha_1 ATES + \alpha_2 IFST + \alpha_3 TREV + \alpha_4 EDUP + \alpha_5 TS + \alpha_6 JOBO + \alpha_7 EACT + \varepsilon_t$$

In which:

- + STF_t: Satisfied
- + ATES: Access to educational service
- + IFST: Infrastructure
- + TREV: Training environment
- + EDUP: Education Program
- + TS: Teaching Staff
- + JOBO: Job Opportunities
- + EACT: Extracurricular Activities

4. RESEARCH RESULTS

Cronbach's Alpha test

* Factor Access to educational services

Table 1: Results of testing the scale Access to educational services (ATES)

Observed variables	Total variable correlation coefficient	Coefficient	Cronbach's alpha
Access to educational services (ATES)	0.591	0.818	0.838
Provide enrollment information, full entry, timely (ATES1)	0.738	0.779	
Make admission procedures convenient (ATES2)	0.744	0.777	
Tuition fees and contributions according to the regulations of the appropriate school (ATES3)	0.632	0.807	
State policy support special subjects (war invalids, martyrs, the poor, ethnic minorities, etc ...) good (ATES4)	0.546	0.843	

Source: SPSS

Comment:

The results of the correlation coefficients of the total variables in the table with all components reached values greater than 0.3. In the column Cronbach's alpha if item Deleted, all reported values are greater than 0.7. Cronbach's alpha coefficient was 0.838, thus the factor is reliable

. * Infrastructure Factor

Table 2 : Results of inspection of the Infrastructure scale (IFST)

Observed variables	Total variable correlation coefficient	Coefficient	Cronbach's alpha
Facility (IFST)	0.734	0.814	0.855
Classrooms, lecture halls meet the area, solidity, electric fans, light, sound, hygiene, ... (IFST1)	0.760	0.808	
The information technology system (computer, internet network...) well supports the training work (IFST2)	0.753	0.809	
The library has enough books, reference materials, equipment, service time (IFST3)	0.554	0.883	
Student dormitories meet the requirements of area, facilities, safety, hygiene, etc. (IFST4)	0.695	0.818	

Source: SPSS

Comment:

The results of the correlation coefficients of the total variables in the table with all components reached values greater than 0.3. In the column Cronbach's alpha if item Deleted, all reported values are greater than 0.7. Cronbach's alpha coefficient was 0.855, thus the factor is reliable

*Factor of Training Environment

Table 3: Results of testing the training environment scale (TREV)

Observed variables	Total variable correlation coefficient	Coefficient	Cronbach's alpha
Training environment (TREV)	0,672	0,908	0.913
The school focuses on receiving student feedback about the quality of its educational services (TREV1)	0,746	0,898	
The relationship between the students is friendly, benevolent, united... (TREV2)	0,716	0,904	
Faculty dedicated, enthusiastic, consulting, ... for students (TREV3)	0,807	0,890	
The natural environment is full of shade, light and airy (TREV4)	0,814	0,888	
The school and the surrounding area is security, safe and healthy (TREV5)	0,789	0,892	

Source: SPSS

Comment:

The results of the correlation coefficients of the total variables in the table with all components reached values greater than 0.3. In the column Cronbach's alpha if item Deleted the reported values are all more than 0.7. Cronbach's alpha coefficient is 0913, thus the factor is reliable

Training Education Factor*Table 4: Results of testing the training education scale (EDUP)**

Observed variables	Total variable correlation coefficient	Coefficient	Cronbach's alpha
Training program (EDUP)	0.752	0.854	0.885
The training program has clear output standards (EDUP1)	0.811	0.833	
Bi-disciplinary and joint training program meet the needs and aspirations of students (EDUP2)	0.665	0.904	
The training program promotes the individual ability of students (EDUP3)	0.827	0.824	

*Source: SPSS***Comment:**

The results of the correlation coefficients of the total variables in the table with all components reached values greater than 0.3. In the column Cronbach's alpha if item Deleted, all reported values are greater than 0.7. Cronbach's alpha coefficient was 0.885 thus the factor is reliable

*** Factor of teaching staff****Table 5: Results of testing the scale of teaching staff (TS)**

Observed variables	Total variable correlation coefficient	Coefficient if variable type	Cronbach's alpha
Teaching staff (TS)	0.717	0.847	0.875
Lecturers trained abroad (TS1)	0.695	0.859	
Enough trained in the country (TS2)	0.809	0.808	
Teachers have modern and effective teaching methods (TS3)	0.725	0.844	

*Source : SPSS***Comment:**

The results of the correlation coefficients of the total variables in the table with all components reached values greater than 0.3. In the column Cronbach's alpha if item Deleted, all reported values are greater than 0.7. Cronbach's alpha coefficient was 0.875 thus the factor is reliable

*** Job opportunities****Table 6: Results of the job opportunity scale test (JOB0)**

Observed variables	Total variable correlation coefficient	Coefficient	Cronbach's alpha
Job opportunity (JOB0)	0.698	0.901	0.908
Knowledge and skills acquired from the program helps students learn confidence in the ability to work after graduation (JOB01)	0.750	0.893	

The school regularly organizes recruitment festivals to invite agencies and businesses to come and interview for recruitment (JOBO2)	0.837	0.872	
The school regularly organizes career orientation counseling sessions (JOBO3)	0.826	0.874	
The school has a joint training program according to the specific requirements of businesses (JOBO4)	0.751	0.892	

Source: SPSS

Comment:

The results of the correlation coefficients of the total variables in the table with all components reached values greater than 0.3. In the column Cronbach's alpha if item Deleted, all reported values are greater than 0.7. Cronbach's alpha coefficient was 0.908 thus the factor is reliable.

***Extracurricular activities**

Table 7: Results of testing scale Extracurricular activities (EACT)

Observed variables	Total variable correlation coefficient	Coefficient	Cronbach's alpha
Extracurricular activities (EACT)	0.823	0.932	0.942
Extracurricular activities on learning and scientific research (Group study, science club, English club ..) regular activities, serving the maximum learning process of students (EACT1)	0.875	0.923	
Extracurricular activities on social activities (soft skills clubs, volunteer activities ..) provide the knowledge and soft skills necessary for the development of students (EACT2)	0.887	0.921	
The cultural-artistic activity, fitness, sports (football, volleyball, basketball, table tennis, badminton, chess, ..) regular activities, meet the preferences, needs training physical fitness, creating a useful playground for students (EACT3)	0.844	0.928	
The citizen week activities, seminars, listening to experts' opinions are carried out effectively and regularly. (EACT4)	0.791	0.938	

Source: SPSS

Comment:

The results of the correlation coefficients of the total variables in the table with all components reached values greater than 0.3. In the column Cronbach's alpha if item Deleted, all reported values are greater than 0.7. Cronbach's alpha coefficient was 0.942 thus the factor is reliable.

Established correlation matrix.

Overall, we see that there is a relationship between the Items in this matrix. In order to confirm this correlation, the Bartetts test is used to check the following hypothesis:

- H0: The observed variables are not correlated with each other
- H1: There is a mutual correlation between the observed variables

Table 8: Results of KMO and Bartlett's Test of Independent Variables for the last time

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		,947
Bartlett's Test of Sphericity	Approx. Chi-Square	8433,367
	df	561
	Sig.	,000

Source: SPSS

Comment:

Based on the results of data analysis, we see, $\text{Sig} = 0.000 < 0.05$ (see KMO and Bartlett's Test table) thus H0 hypothesis is rejected and H1 hypothesis is accepted, which means that there is a correlation between items. In addition, KMO criterion is used to consider the appropriateness of factor analysis, in this study, we find EFA analysis to be reasonable. ($0.5 < \text{KMO} = 0.947 < 1$).

Determine the number of factors

Table 9: Variance extracted in final factor analysis

Coefficient	Value
Eigenvalues	1.070
Tổng phương sai trích	72.240%

Source: SPSS

Comment:

According to the table above, we have 5 factors affecting the decision of Vietnamese students to choose a school. Eigenvalues = 1.070 > 1 represents the variation in each factor.

Total variance extracted Rotation Sums of Squared Loadings (Cumulative %) = 72.240% > 50% shows that 72.240% of the variation of the data is explained by the group of 5 factors above.

Recurrent

The overall recurrent equation model is developed as follows:

$$STF_t = \beta_0 + \beta_1 ATES + \beta_2 IFST + \beta_3 TREV + \beta_4 EDUP + \beta_5 TS + \beta_6 JOBO + \beta_7 EACT + \varepsilon_t$$

Table 10: Regression results and accreditation

Model B		Coefficients ^a						
		Unstandardized Coefficients		Standardized Coefficients	t	Sig. Tolerance	Collinearity Statistics	
		Std. Error	Beta				VIF	
1	(Constant)	,209	,125		1,665	,097		
	ates1	,077	,037	,087	2,079	,039	,451	2,215
	ifst1	,184	,041	,212	4,523	,000	,357	2,803
	trev1	,126	,050	,132	2,505	,013	,283	3,537
	edup1	,123	,042	,139	2,918	,004	,344	2,904
	ts1	,129	,042	,146	3,070	,002	,349	2,867
	jobo1	,206	,041	,229	5,049	,000	,382	2,615
	eact1	,098	,033	,127	2,979	,003	,432	2,316

a. Dependent Variable: Satisfied

Source: SPSS

Comment:

The VIF coefficients range from 2,215 to 3,537 (<10), so it can be concluded that there is almost no linear multicollinearity in this model.

Other standardized β coefficients are all different from 0, ranging from 0.087 to 0.229 with $p < 0.05$, showing that all 7 components of satisfaction (independent variable) are good predictors of customer satisfaction. Students are more responsive to factors that are financially self-sufficient in schools than those without autonomy, thereby deciding to choose a school.

The linear regression equation extracted by Beta coefficient is shown as follows:

- Unstandardized model:

$$STF = 0.077ATES + 0.184IFST + 0.126TREV + 0.123EDUP + 0.129TS + 0.206JOB0 + 0.098EACT$$

- Normalization model:

$$= 0.087ATES + 0.212IFST + 0.132TREV + 0.139EDUP + 0.146TS + 0.229JOB0 + 0.127EACT$$

From the above standardized model, it shows that the two factors "Job opportunities" and "Facilities" have the greatest significant impact on Vietnamese students' decision to choose a school through satisfaction when using these above services and the independent school will provide those services much better than the non-independent school. Next, the third statistically significant factor is "Teachers". Then, the elements "Training program", "Training environment", "Extra-curricular activities" and "Access to educational services" have a correspondingly decreasing influence.

The results of the standard regression value (Standardized Coefficients Beta) shows the importance of each independent variable with the dependent variable. The Beta value in the table above tells us the level of influence between 7 independent variables and 1 dependent variable. We see that the Beta coefficients show that these independent variables positively affect the student's decision. As follows:

The standard regression value of the variable "Job opportunities" affects 22.9% on student satisfaction or choice (strongest linear relationship). Most students are interested in job opportunities

after graduation. Therefore, the factor "Job opportunities" has the greatest influence on students' choice of schools.

The standard regression value of the variable "Infrastructure" affects 21.2.7% to student satisfaction or school choice (second strongest linear relationship). Most students want to study at a school that ensures modern and complete facilities. Therefore, the factor "Facilities" affects students' choice of schools.

The standard regression value of the variable "Students" affects 14.6% to student satisfaction or school choice (the third strongest linear relationship). The majority of students are interested in highly qualified faculty with modern and effective teaching methods. Therefore, the factor "Teachers" has an influence on students' choice of schools.

The standard regression value of the variable "Education program" affects 13.9% to student satisfaction or choice (fourth strongest linear relationship). Most students are interested in training programs with clear output standards, bi-disciplinary and joint training programs and training programs that promote students' capabilities. Therefore, the factor "Training program" has a great influence on students' choice of schools.

The standard regression value of the variable "Training environment" affects 13.2% on student satisfaction or school choice (5th strongest linear relationship). The majority of students are interested in the fact that the school focuses on receiving students' feedback on the quality of the school's educational services, the natural environment is full of shade, light and airy in the school. The surrounding area is safe, safe, healthy or not. Therefore, the factor "Training environment" affects students' choice of school.

The standard regression value of the variable "Extracurricular activities" affects 12.7% to student satisfaction or school choice (6th strongest linear relationship). Many students are interested in exchange and extracurricular activities in learning, scientific research, social activities, culture - art, physical training and sports. Therefore, the factor "Extracurricular activities" affects students' choice of school.

The standard regression value of the variable "Access to educational services" affects 8.7% of students' satisfaction or school choice (the weakest linear relationship). Many students are interested in educational outreach services. Therefore, the factor "Access to educational services" affects students' choice of school.

5. DISCUSSION AND CONCLUSION

The decision to choose a university is an important decision, based on many factors from objective to subjective. Strengthening financial management, aiming for financial autonomy in medium-sized universities is both a requirement and a condition for the development of higher education. By applying analytical methods, studying and interpreting the content of financial autonomy at universities that affect students' decision to choose a school through systematization of theoretical and analytical bases. The components that make up the quality of higher education are the factors that affect students' decision to choose a university, and at the same time analyze the

correlation of financial autonomy and the quality of higher education. Factors affected by financial autonomy have a proportional influence on student's decision to choose a school.

The model results are consistent with the reality of autonomy of schools in Vietnam today. Job opportunities are the most influential factor in students' decision to choose a school. In terms of facilities, it can be seen that the self-financed schools have innovated and equipped with the best facilities to create a modern learning environment for students, which has attracted a lot of students. participants in schools. Financial autonomy helps schools to have good quality teachers, most schools that are self-financed currently have policies to attract talent through paying competitive salaries. Good teachers are one of the advantages that help independent schools attract more students. Financially autonomous schools also have relatively diverse study programs to meet the different needs of students. The training environment of autonomous schools has also improved markedly in recent years. Besides, rich extracurricular activities to create playgrounds and promote students' abilities are also a big concern of students when choosing a school.

Thus, it can be seen that self-financed schools have an advantage in using financial resources to improve the quality and image of the school. Therefore, it has an advantage in attracting students over non-financial schools and creating a better source of income for schools. In addition to reducing the burden on the state budget, financial autonomy also helps schools use financial resources more efficiently. In the coming time, the State needs to have policies to further promote financial autonomy in order to further improve the quality of education in universities in Vietnam.

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MIDDLE LEVEL MANAGER ASSESSMENT IN VIETNAM PRIVATE ENTERPRISES

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Abstract: *This article systematically reviews scientific content related to middle-level managers and middle-level manager assessment as a theoretical basis for research. Despite the fact that more attention has been paid to the manager performance assessment activities, there still exists several problems, such as the results are not satisfying, the assessment objectives are not clear; there is a lack of standard system and assessment skills for scientific assessment; the participants in the assessment are not diverse; the recipients of the assessment viewed the results as unfavorably; the assessments are periodic and formal. For these reasons, this study aims to improve the assessment of middle managers in Vietnamese private enterprises.*

Keywords: *managers, middle level, assessment, competency, private enterprise, Vietnam*

1. INTRODUCTION

After 35 years of Doimoi (economic reforms) and under the leadership of the Party, the private sector of the economy has experienced phenomenal growth in number throughout the country. It is worth noting that the socioeconomic successes have been significantly attribute from these enterprises, such as making important contributions to economic development, mobilizing social resources for production and business, creating more jobs, improving people's lives, increasing the state budget and contributing to political stability and social security of the country. In addition, the contribution of the private sector to the economy has continuously increased over the years. In recent years, this sector accounted for about 39-40 percent of total GDP and over 85 percent of total workforce in the economy. Investment capital in the private economy also accounted for a relatively large proportion compared to the investment capital of the economy. Investment capital was 403.9 trillion VND, accounting for 38.7% of the whole society investment capital and it has reached to 942.5 trillion VND, accounting for 46% of the total investment capital in 2015 and 2019 respectively. Apart from being a relatively dynamic sector, the private sector has played an important role in tax obligations to the state recently. This sector has contributed nearly 35% of total tax, which is the highest rate in the economy. However, at present, more than 97% in this group are small and micro-sized enterprises, not yet developed and not professionally operated. When the economic crisis occurs, private enterprises are among the most severely affected. Beside the problem in capital, technology, vision, investment strategy, etc., this could be attributed to poor quality of human resources in these enterprises. In fact, when assessing the business environment in Vietnam according to the 2015 Vietnam Business Annual Report of Vietnam Chamber of Commerce

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and Industry (VCCI) by EuroCharm, the problem of labour workforce training was ranked 4th out of 16 most prominent issues. Also in this report, the survey results between the Institute of Labor and Social Sciences and Manpower Group at 6,000 enterprises showed that: about a quarter of enterprises believe that employees lack technical knowledge and understanding, technology and creativity; about 1/5 of enterprises consider that the ability to adapt to new technologies is a weakness for most employees; 1/3 of the employer cannot find workers with suitable skills. According to a press release dated May 9, 2014 of the International Labor Organization (ILO), Vietnam's labor productivity is 15 times lower than Singapore, 11 times lower than Japan, about 10 times lower than Korea, 5 times and 2,5 times lower than Malaysia and Thailand respectively. In the current context of global competition, the shortage of qualified human resources (HR) poses a great challenge to the existence of Vietnamese enterprises in general and enterprises in the private sector-hereinafter referred to as private enterprise (PE), in particular.

There have been many studies on human resources and human resource management in Vietnamese enterprises, but there have not been many in-depth studies on private enterprises as well as competency assessment of middle managers in these enterprises. Since then, the study on current situation of middle level manager assessment in private enterprises is necessary to serve as reference information for human resource management.

This paper studies the current situation of mid-level management competency assessment in Vietnam private enterprises, thereby proposing recommendations to improve assessment activities. The scope of the study is defined as follows:

- Vietnamese private enterprises regardless of production and business lines, geographical areas and regional characteristics are all considered. To serve the sociological investigation, only medium-sized enterprises was selected based on number of labor criteria (about 200 employees) because their organization structure and group of middle managers are relatively complete and large enough to perform;

- Middle level managers identified in the study are those who report directly to senior managers as well as under the direct direction of senior managers. They often hold titles such as directors, heads of units, blocks, centers, departments, large functional departments or regions, provinces, affiliated branches or first level decentralization. To serve the purpose of the study, the data of the enterprises in Hanoi and Bac Giang from February to April 2020 was collected as primary source.

In addition, various methodologies such as dialectical materialism, historical materialism, descriptive statistics analysis, theory analysis and synthesis, sociological investigation through survey questionnaires, situational research and case study, etc.

2. LITERATURE REVIEW

Human resource management is a topic of interest to many domestic and international scholars with valuable works. In Vietnam, various scientific topics are mentioned at different levels in textbooks, lectures, articles published in prestigious journals. Among them, some textbooks have generalized the fundamental issues of school of Management and human resource management in enterprises and organizations namely Vu Thuy Duong and Hoang Van Hai (2005), Nguyen Van

Diem and Nguyen Ngoc Quan (2010), Vu Hoang Ngan (2011), Tran Anh Tai (2013), Tran Xuan Hai and Tran Duc Loc (2013), Mai Thanh Lan and Nguyen Thi Minh Nhan (2016). On that basis, the authors mentioned such contents as: the concept and role of HR management in enterprises; recruitment, placement and use of HR; training and development; HR performance evaluation and compensation, etc. These textbooks are considered as an important theoretical foundation to conduct more in-depth research on HR management.

In any business or organization, management levels (including senior, middle and grassroots managers) play an extremely important role and are the subject of many scholars' interest and research. Some typical research discussed many different topics and fields related to middle level management, such as the necessary competencies for management personnel and middle-level managers (Nguyen Thi Bich Dao, 2009); the role of middle manager in the enterprise (Tran Thi Van Hoa, 2009 and Bui Huu Duc, 2012), or change management for middle level manager in the enterprise Mai Thanh Lan (2016), etc.

Furthermore, research on competence in enterprises has been carried out based on the perception that competence is the foundation for individuals to perform well at their jobs and contribute to the accomplishment of the mission, strategy, and goals of enterprises and organizations. The studies on competence in enterprises and organization were conducted in the following approaches:

The first approach is the competency building and competency framework. This approach by Tran Kieu Trang (2012) determines the competency of enterprises in small enterprises in Vietnam based on the ASK model Attitude - Skills - Knowledge (Attitude - Skills - Knowledge). In addition to that, research by Le Quan (2015) on *Vietnamese business leaders* including topics such as Board of Directors, Executive Board; Competency Framework; Balanced Scorecard; Completion Index, has focused on clarifying the competency framework by designing competency framework and business leadership competency framework. Furthermore, research by Mai Thanh Lan and Ta Huy Hung (2014) focused on building a competency framework for corporate senior managers during the restructuring period in Vietnam.

The second approach is about applying competency framework in enterprises and organizations. Research by author Pham Cong Doan (2010) demonstrated how to implement the applied competency frameworks to the performance assessment of CEOs in commercial enterprises. In addition, author Ngo Quy Nham (2015) has a study on "Competency framework and application in human resource management activities" which is published in Proceedings of the Annual Conference of the Human Resources Association- 2015. "Competency framework - Application trends in the context integration". This study provided an introduction of the competency framework and its application in performance management assessment. Research by Nguyen Thanh Long and Le Nguyen Hau (2013), Nguyen Hong Tin, Vo Thi Thanh Loc, Vo Thanh Danh, Nguyen Quang Tuyen, Vo Kim Thoa (2015) analyzed the current situation and provide recommendations to improve the competency of officials and civil servants in public organizations. Research by author Phung Xuan Nha (2012) discussed the application of a competency framework in training and improving the quality of public sector leadership and managements, etc.

In addition, human resource assessment is a very important topic in human resource management in enterprises, including competency assessment and performance or achievement

evaluation. In 2009, author Le Quan carried out a ministerial-level research project with the topic "Improving the assessment of management officials in commercial enterprises in Hanoi". The topic concentrated on clarifying the assessment, including the assessment of mid-level and grassroots officials in Hanoi commercial enterprises. The study discussed important criterias in the assessment of management officials such as assessment objectives (motivation goals, development goals), evaluation contents (processes, methods, criterias, etc.) or the use of evaluation results in making salary and bonus decisions, etc.

Furthermore, research by Tran Thi Van Hoa (2009) mentioned the leadership competency assessment method of corporate directors. The author has clarified the leadership competency assessment process in 3 steps, in which the competency framework is used as a basis for comparison between the current competency and leadership competency requirements through GAP analysis. Hence, it identified the causes and provided solution to improve the leadership competency of the director. In 2012, Le Quan and colleagues conducted a study on leadership of small and medium-sized enterprises in Vietnam, using the ASK competency model to obtain the research results.

In summary, domestic scholars have discussed the topic of human resource assessment based on competence, but there are not many research works that refer to human resource assessment activities in private according to competency framework approach.

Research on leadership, management and the governance of leaders, is also topics of interest to many foreign scholars. In particular, many reseaches focus on clarifying the competency framework model in human resource management. The research by Boyatzis (2008) showed that the application of the competency framework model in leadership development and management contribute to sustainable competitive advantage of the enterprise. Research by author Dainty et al. (2005) inherited and developed the theory of building competency framework. In addition, there are studies by a group of scientists from the US such as Chung - Herrera et al. (2003), Korean scientists such as Kang et al. (2015), a group of scientists from Taiwan such as Jeou – Shyan et al (2011), Megahed (2015). These studies also focused on leadership and governance in enterprises. Thus, the scientific approach to competency and competency framework for leaders and management in enterprises has been implemented in many parts of the world.

According to Fletcher (2001), the assessment of human resources in the enterprise is a very important measure to ensure the effective operation of the enterprise. Research by De Nisi and Pritchard (2006) also showed that assessment of competency and performance evaluation cannot be separated because competency is clearly results in achievements in the period. This evaluation process required the participation of different groups such as colleagues, superiors, subordinates, etc. In these researches, there are different methodologies used such as: behavioral scale method, the management by objective method, etc.

In the study of Keep and Levy (2000), some important elements in the assessment system were updated including: assessment criteria, assessment participants as well as the impact of the assessment results on the employees in the enterprise. This study provided some great aspect to look at however it did not mention the middle-level managers in enterprises.

To summary, there have been many studies by domestic and international scholars on academic topics such as management and human resource management with the subject being leaders and managers. In particular, research on the theoretical basis cannot fail to mention the scientific works based on the competency approach and apply these theories in the assessment of managers in the enterprise. However, there has not been any in-depth research on assessing the competency of middle-level managers in Vietnamese private enterprises.

3. THEORETICAL BASIS

Middle Managers

According to the textbook of Management of Financial Academy, *Managers are those who control and direct the work of others, help them to complete the assigned tasks well.* According to Winston and Patterson, a leader is an individual or individuals who have the power to select, equip, train and influence one or a group of followers who have different abilities in the organization. Hence, leaders influence other people to embrace enthusiastic, emotional, and physical energy focused on the effort to achieve an organisational goal.

Thus, it can be understood that managers in an enterprise are all individuals who hold certain positions and titles and participate in the management apparatus of the enterprise. They are responsible for making management decisions and performing the task of planning, organizing, directing, controlling and supervising the work activities of subordinates in order to accomplish the overall goals of the business and objectives of the unit, specialized department. In this study, the approach of middle level managers will be in accordance with this concept.

Competency of middle management personnel

The term "competence" was first used in McClelland (1973)'s study "Testing for competence rather than for "intelligence." In this work, the author mentions that knowledge tests alone cannot predict the job completion and success of employees in the enterprise. In the study of Hornby and Thomas (1989), the authors define competency as the knowledge, skills and qualities of an effective manager or an effective leader. In the study of King et al (2001), the authors define competence as a combination of knowledge and skills, including the underlying knowledge hidden within and a set of necessary skills to take effective action. Research by Woodruffe (1993) describes competency as the set of behavior patterns that the incumbent needs to bring to a position to perform its tasks and function with competence. The term competency is considered as one of the broad terms that have a great influence on the level of job performance. The competency of the employee is specifically considered in terms of the behavior that will be revealed through the employee's work. Employees can only perform the assigned tasks well when they are able to do the job and they also need to have the desire to do it.

Competency of middle managers in the enterprise

According to research by House et al (2001): leadership competency is an individual's ability to influence, motivate and make others contribute to the effectiveness and success of the organization.

The ASK model was applied in order to identify the competencies required for leadership. Accordingly, the individual's capabilities include:

- *Attitude*: Attitude is a concept related to feelings and emotions. Attitude is a category of opinion, perception or somewhat personality. Thus, personal attitude often includes factors belonging to the worldview and individual perception and evaluation of reality and their reaction and reflection of reality. The qualities and behaviors will show the attitude, motivation as well as the necessary characteristics of the individual to perform efficiently at work. Therefore, each manager job position needs to have standards to determine appropriate personal qualities.

- *Skills*: Skills include experience and proficiency of specific manipulations or activities in job processing. Skill is the highest manifestation of applying knowledge or experience that has been learned, accumulated and put into practice. Over time, skills after being guided, trained and cultivated at work can become conditioned reflexes.

- *Knowledge*: Knowledge is the ability to perceive and think about the world around, from political, social, cultural, economical to professional understanding. Knowledge can be understood as the ability to collect, understand, analyze, synthesize and evaluate information and data. These are the basic competencies that employees need when undertaking a certain job. The more complex the job is, the higher level of competencies required. Each enterprise will have its own set of required knowledge for its employees and managers.

Middle-level managers' competency assessment

There are two main approaches for competency assessment in enterprises which based on the assessment activities and assessment process. In this study, the theoretical basis is used along with the practice of competency assessment of mid-level management personnel in the enterprise based on assessment framework. According to this approach, the assessment framework includes: the assessment purpose; criteria; methods and tools; participants and assessment cycle. In this article, only content related to Middle-level managers' competency assessment, including assessment criteria and assessment methods and tools was discussed.

Assessment Criteria:

Leadership and management competency standards are usually divided into 3 main groups, including: (i) knowledge, (ii) skills and (iii) qualities and attitudes needed to meet job requirements. The criteria for assessment of managers in general and assessment of managers' competence in particular need to meet certain requirements including: clear, comprehensive and detailed descriptions; realistic, highly reliable effort-oriented results and in line with corporate strategy.

Assessment methods and tools:

To evaluate managers in general and manager competency in particular, the following assessment methods can be used:

- Assessment through individual/department's achievements and performance indicators (KPIs) to simulate competency.
- Assessment through rating scale technique
- 360 degree assessment
- Assessment through observing behavior, job performance to simulate competency.

- Assessment through the diary recording the incident at work.
- Assessment through face-to-face interviews on competence based on behavioral facts.
- Assessment through competency rating.
- Assessment by pair comparison method.

4. SITUATION OF MIDDLE LEVEL MANAGERS' COMPETENCY ASSESSMENT IN VIETNAMESE PRIVATE ENTERPRISES

The status of assessment standards

According to the survey results, although 173 enterprises have competency assessment, only 33.62% of the enterprises have performance assessment standards separated from competency assessment standards. This shows that competency assessment has not been paid much attention in Vietnamese private enterprises.

Table 1. Survey results on assessment criteria of middle managers in Vietnamese private enterprises

No.	Assessment Criteria	No. of Enterprises	Mean	Standard Deviation
1	Enterprises have have performance assessment standards separated from competency assessment standards	173		
2	The criteria for middle managers assessment are relevant and realistic.	173	2.732	0.781
3	The criteria for middle managers assessment are public	173	3.478	0.687
4	The criteria for middle managers assessment are high reliability	173	2.257	0.814
5	The criteria for middle managers assessment are clear and detailed presented	173	2.329	0.715
6	The criteria for middle managers assessment are competency-improving oriented.	173	2.503	0.546
7	The criteria for middle managers assessment are good measure.	173	2.382	0.651
8	Assessment criteria are closely follow the job description of middle managers	173	2.062	0.925

Source: Calculation results of the authors.

The level of relevance and realism in the assessment standards of middle managers in private enterprises in Vietnam is only 2.732 and the standard deviation is 0.781, i.e. slightly higher than average and within the range of 2.6 - 3.4. The level of publicity in the assessment criteria is relatively good with the mean and standard deviation of 3.478 and 0.687 respectively. The reliability of the criteria is, however not appreciated, with mean value of 2,257 and the standard deviation of 0.814. The level of clarity and detail of the assessment criteria is at a humble value of 2,329 for the mean and 0.715 for standard deviation respectively, which is below the average and varied from 1.8 to 2.6. This implies lack of clarity and detail in assessment criteria. For the sixth criteria, the survey result is also not so promising with relative mean and standard deviation of 2,503 and 0.546, respectively. This indicates that the criteria do not help much in orienting the middle manager to make effort to improve their competency. The criterion indicating whether assessment criteria

are good measure of manager competency, lies below the average with the mean of 2,382 and the standard deviation is 0.651. The degree of adherence to job descriptions to provide assessment criteria for middle managers in Vietnamese private enterprises has not been focused, with the mean value of only 2,062 and standard deviation of 0.925.

Current status of assessment methods and tools

Table 2. Survey results on Middle managers assessment methods and tools for in Vietnamese private enterprises

No.	Assessment Method and Tools	Number of Enterprises	Percentage (%)
1	Assessment through individual/department's performance indicators (KPIs) to simulate competency	106	61,21
2	Assessment through rating scale technique	49	28,45
3	360 degree assessment	21	12,07
4	Assessment through observing behavior, job performance to simulate competency.	25	14,66
5	Evaluation through diary recording incidents at work	18	10,34
6	Assessment through face-to-face interview on competency	16	9,48
7	Assessment by competency rating	18	10,34
8	Other assessment methods and tools	51	29,21
9	Unknown/No method, assessment tool	9	5,17

Source: Calculation results of the authors.

Many enterprises do not have a clear distinction between job completion evaluation criteria and competency assessment. Therefore, the method of assessing the competency of middle managers through a set of KPIs accounts for about 61% enterprises surveyed. Specifically, these enterprises often interpret the level of work completion as corresponding middle managers' competencies, especially the group of professional competencies.

The survey results also show that 49 out of 173 enterprises use the rating scale method and nearly half of them use 360-degree assessment method for competency assessment. Competency simulation based on observing behavior and expression at work was used in 25 enterprises. The recording of incidents at work and the competency interview method are not popular ones among all surveyed enterprises with 18 and 16 correspondingly. There are also 18 enterprises applying the method of rating competency according to the rating standards of A, B, C or Highly Satisfactory, Satisfactory, OK, Unsatisfactory. Around 29 percent of the enterprises used other methods and tools, such as assessment through the council, assessment through initiative, experiment, assessment based on sensory comments of leaders, pair comparison, etc. There are 9 enterprises with unknown or no evaluation methods and tools.

General assessment of middle management evaluation activities in Vietnamese private enterprises

Achievements

Currently, it is noted that Vietnamese private enterprises have a certain interest in the performance assessment of managers' competency, some enterprises have developed competency

criteria for human resource management. This set of criteria and standards is mainly proposed by departments and human resources departments. After reaching agreement with functional units, the human resources specialist will submit a set of assessment criteria to the directors for approval. In addition, some businesses already have specific descriptions for each competency being assessed. Regardless of the extent to which they are being developed or applied, competency criteria still play an important role in human resource assessment in private enterprises as to serve the human resource management. The performance evaluation method, KPI and the rating scale method are still effective in making judgments about the manager's competency situation.

Limitations

Competency assessment criteria: The criteria for competency assessment still do not meet the requirements including clear, detailed, measurable, reliable, relevance and adherent with the requirements of middle level managers' competency in Vietnamese private enterprises. In many enterprises, competency assessment is still completely dependent on the results of job completion and KPI achievement. The vast majority of businesses have not built a competency framework specifically for middle managers. According to some of the human resource managers in the surveyed enterprises, designing a set of standards for competency assessment of middle-level managers in their enterprises is very difficult, effort and time consuming and hence it needs support from senior and middle managers in the enterprise as well as advices from human resources and external business administration experts.

Competency assessment methods and tools: The survey results and human resources interview show that the scale rating is the most common method used for assessment of middle manager. The advantage of this method is that the assessment results could be visualized and quantified in number. Consequently, it is easier to refer to the rating ladders or compare between one individual and another. However, the scale is still vague, general with no specific standards and is biased towards the sentiments of the evaluators, specifically the senior managers when making assessment of middle-level managers. In addition, it is also not diverse and not used in combination with many other methods and tools. Even many managers, when asked, still do not know what methods and tools their enterprises are using to evaluate middle-level managers. Some modern assessment methods such as 360-degree assessment, competency interview, information diaries, etc. have not yet been approached and used by many enterprises.

Causes

Objective causes

Firstly, Vietnam's economic, scientific and technical development conditions are still limited, so most enterprises do not invest adequately in modern human resource management tools, including tools to assess managers' competency.

Secondly, the majority of private enterprises in Vietnam are small and micro enterprises, in which micro enterprises account for a large proportion. Therefore, the group of private enterprise is not quite strong, still limited in size, stature and financial resources and business administration experience. Besides, they are used to the traditional way of thinking, i.e. solving the problems when incident occurs rather than making long-term orientation. The mid-level scale also fluctuates flexibly according to

the size of the enterprise to achieve the highest economic efficiency. Therefore, the investment in the competency assessment of middle-level managers and competency-building framework to serve the evaluation of this group of managers in a methodical manner is still challenging.

Subjective causes

Owners of private businesses are usually people with talent, business aptitude and practical experience in the market. Most private enterprises are operated and managed by its owners. They often apply short-term management, and not yet focused on the importance of competency assessment of lower-level management team and the modern knowledge of long-term human resource management.

For long-term middle managers, attached to business owners, their thinking tends to be conservative and stable. For newly joined middle level managers, they do not have a clear future development and career path in the organization, so they are prone to change and lack of loyalty to the business and self-improvement. Therefore, middle managers often have a negative mindset in participating in the process of assessing competency and improving personal competency.

5. SOLUTIONS FOR COMPLETING THE MID-LEVEL MANAGEMENT ASSESSMENT SYSTEM IN VIETNAMESE PRIVATE ENTERPRISES

In order to apply a competency-based human resource management system and improve the competency of the middle management team, Vietnamese private enterprises need to focus on implementing the following solutions:

First, building comprehensive assessment criteria

Competency assessment standards and criteria should be specified and adjusted for each enterprise and each group of job titles. Specifically, competencies can be added or removed, competency definitions and levels of competence should be completed in more detail, standard levels can be increased or decreased according to each management group or each stage of human resource development in the enterprise. In addition, enterprises do not have to use the entire competency framework but depending on the objective and the use of assessment results, they can select one or two groups of competencies or a number of necessary to conduct the assessment of middle-level managers. In addition, all the competency assessment criteria need to adhere with the job description for the title of mid-level manager, especially the knowledge, skills and specific qualities of the specialized field. Furthermore, it is necessary to make a clear distinction between performance evaluation criteria and competency assessment criteria. In fact, work results or achievements are used as the basis for performance or job completion evaluation whereas competency frameworks are used to develop competency assessment criteria. Competence is an internal factor, the level of job completion is an external factor. It should be noted that work results or achievements as well as manifestations in daily operations are the clearest expression of competence. Therefore, the production and business targets, the job completion indicators will give reference information to assess the manager's competency. These two evaluation systems need to go hand in hand and complement each other to give the most objective and comprehensive assessment results of middle managers.

Secondly, developing methods and assessment tools.

For each competency, it is possible to use one or a number of different competency assessment methods and tools depending on the requirements, time and purpose of competency assessment. The results proposed by the authors are shown in the following table.

Table 3. Proposed assessment methods and tools for each competence

No.	Competency Name	1	2	3	4	5	6	7	8	9
Professional Competency Group										
1	Knowledge of job-specific expertise	x	x	x		x	x	x	x	x
2	Mastering job-specific professional skills	x	x	x		x		x	x	x
3	Understanding of business environment and industry		x				x	x		
4	Understanding the business		x				x	x		
5	Quality assurance	x	x	x	x	x				
6	Optimizing your budget	x	x	x	x	x				
7	Goal and result oriented	x	x	x	x					
Operational Management Competency Group										
1	Strategic advisory		x	x			x		x	x
2	Business process management	x	x	x	x	x				
3	Work planning and management	x	x	x	x	x				
4	Leading the working group	x	x	x	x	x				
5	Subordinate assessment	x	x	x						
6	Subordinate training and mentoring	x	x	x						
7	Conflict Management		x	x	x		x		x	x
Self-management and self-development Competency Group										
1	Integrity		x	x	x		x		x	x
2	Information management		x	x	x				x	
3	Time Management		x	x					x	
4	Improvement and innovation	x	x	x	x	x			x	x
5	Initiative		x	x	x	x	x	x	x	
6	Pressure/stress handling		x	x			x		x	
7	Continuous learning		x	x	x	x	x	x	x	

In this table, the convention from 1 to 9 is the assessment methods and tools according to the competency framework, including:

1: assessment through individual/department's achievements and performance indicators (KPIs) to simulate capacity;

2: assessment through rating scale technique;

3: assessment through observing behavior, job performance to simulate competency;

4: assessment through work diary (in which positive or negative points are indicated);

5: assessment by recognition of outstanding initiatives to simulate capacity;

6: assessment through face-to-face interviews about competence;

7: assessment through competency tests;

8: assessment through capacity/competency ratings;

9: assessment through the competency evaluation board.

CONCLUSIONS

The use of middle managers as a resource to build and maintain a sustainable competitive advantage for private enterprises requires the right tools to effectively manage this group of managers. In particular, it is necessary to have a methodical assessment model of middle managers along with the performance and achievement evaluation system being implemented at enterprises. The results of the competency assessment will support to give advice on the human resource management strategy and the competency-based management of Vietnamese private enterprises. Enterprises will have a basis to make policies on recruitment, planning, training, remuneration and target management based on human resource competencies, thereby improving the working efficiency of employees in a long-term and sustainable way, contributing to the growth and development of the business.

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RELATIONSHIP BETWEEN GREEN GROWTH AND SUSTAINABLE GROWTH

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Abstract: *The paper discusses the relationship among green growth towards sustainable development. Green growth is seen as a practical tool to achieve the timeless goal of sustainable development. From the synthesis theory, the author concludes that green growth is an important content towards sustainable development and is a development process with a harmonious combination between economic development and environmental protection.*

Keywords: *Green growth, sustainable development.*

1. INTRODUCTION

Several recent economic and financial crises on global scale have prompted people to reduce their environmental impact. It is expected, however, that a return to a dynamic growth path will result in an increase in the environmental burden beyond that recorded before the crisis. To address these concerns, a new action strategy was identified at the OECD Council of Ministers meeting – the so-called Green Growth Strategy (see OECD, 2011).

According to the definition developed by the OECD (OECD, 2011), “green growth” means taking measures that are conducive to economic growth and development, while ensuring that natural assets continue to provide resources and environmental services contributing to the prosperity of the country. Green growth focuses on accelerating investments and innovation that will lay the foundation for sustainable development and provide new economic opportunities. Reilly (2012) argues that promoting green economic growth represents an intention to steer the economy towards technologies and consumption patterns that create jobs and economic growth as well as reduce environmental impact.

A green growth strategy that focuses on cost-effective ways to reduce pressure on the environment enables the transition to new development models, thereby avoiding crossing critical local, regional and global environmental thresholds. Under the assumptions, green growth strategies developed at the national level should encourage environmentally friendly behavior of businesses and consumers, and improve the reallocation of labor, capital and technology optimized towards greener activities and create impetus for the development of ecological innovations (Kijek, Kasztelan, 2013).

This article sorts out the issues and defines terms related to green growth as presented in Armand Kasztelan (2017). The basic objective of the article is to answer the question about the relationship between the concepts of green growth and sustainable development. The starting point

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for the review will be a distinction about the origin and nature of the concepts which are subject to be analyzed. The next important factor will be the reference to the concept of green growth with the sustainable development model. In the final part of the study, the author will present a model of the relationship between green growth and sustainable development. It can be seen that restructuring the economy towards green growth solutions is a basic condition for entering the path of sustainable development.

For the above research purposes, the article uses the document review method, the comparison and contrast method. The rest of the paper is structured as follows: Part 2 presents the concept of green growth, part 3 presents the relationship between green growth and sustainable development. Finally, the conclusion in section 4.

2. GREEN GROWTH

Currently the world is facing two main challenges, that is, the rapidly growing global population and the increasing pressure related to the environment, epidemics need to be prevented quickly mainly through the handling of impacts on the living environment.

Due to the scale of the existing risks, the main challenges are related to issues of climate change, environmental pollution and natural resource depletion. The above conditions have led to the emergence of the concept of green growth (Satbyul et al., 2014).

In 2009, as part of response to the global financial downturn, Korea adopted the National Green Growth Strategy and the Green Growth Five-Year Plan. Since that time, South Korea has been the main ambassador of this strategy. At the OECD Council of Ministers meeting in June 2009, 30 members and 5 candidate countries (which together represented approximately 80% of the total global economic potential) adopted the statement that environmental protection and growth economic growth can go hand in hand. At the same time, they decided to start work on green growth strategy so that it can comprehensively handle economic, environmental, social and technological aspects (UNESCAP, 2012). Currently, the OECD is the leading organization supporting the implementation of green growth in their respective countries. In addition, many other international organizations (World Bank, Green Growth Leaders), consulting organizations as well as representatives of the scientific world also focus on green growth (Allen and Clouth, 2012). In a succinct way, according to the World Bank (2012), green growth is growth that is effective in using natural resources and minimizing environmental pollution. Firstly, the green growth strategy should contribute to the creation and development of a new framework for national accounts that takes into account environmental issues and social welfare in general. Secondly, specific tools and recommendations should be provided to formulate national policies to help governments most effectively change to a sustainable economy and achieve sustainable development. Thirdly, it must constitute an important source of information on ways to support green growth in developing and emerging economies. Fourthly, the strategy focuses on employment issues, including new job creation possibilities both in the short and long term, which is important from a social perspective of sustainable development (OECD, 2009).

3. GREEN GROWTH AND SUSTAINABLE DEVELOPMENT

First of all, sustainable development is a concept that appeared in scientific research in many fields in the late 1980s as in the report "Our Common Future" in 1987. The report summarizing the achievements and failures of mankind in the 20th century identifies sustainable development as a possible way to improve the existing situation. According to the popular and often cited definition of sustainable development, it is development that "meets the needs of the present without compromising the ability of future generations to meet their own needs" (WCED (UN), 1987). This concept received more attention after the Earth Summit in Rio de Janeiro (1992) which adopted a model program for implementing sustainable development "Agenda 21". Immediately after the Earth Summit, the principle of sustainable development was widely adopted by governments, and in many countries, it has had a significant impact on prioritizing the treatment of environmental goals (Satbyul et al., 2014; UNESCAP, 2005).

Since the first definition of sustainable development was proposed for the first time by the Brundtland Commission, a number of attempts have been made to provide an alternative definition for the concept. For example, Stappen (2008) asserts that sustainable development is development that meets the basic needs of all human beings and preserves, protects and restores the health and integrity of the Earth's ecosystems, without compromising the ability of future generations to meet their own needs and without exceeding the limits of the long-term capacity of the earth's ecosystems.

According to Zervas (2012), a number of differences can be identified between the concept of green growth and sustainable development. Firstly, sustainable development implies more goals. Green growth does not refer to social components, only focuses on environmental and economic issues. Secondly, green growth, as the name suggests, focuses on the category of growth rather than growth itself which is a broader term. Green growth is merely economic growth based on the use of the environment and can have a serious impact on the environment. Furthermore, green growth is one of the proposed solutions when facing an economic crisis and therefore it is accompanied by other economic or social measures. In November 2010 at the G20 Summit in Seoul, green growth was recognized as an integral part of sustainable development (Barbier, 2011). The following Figure 1 visually shows the relationship between green growth and sustainable growth.

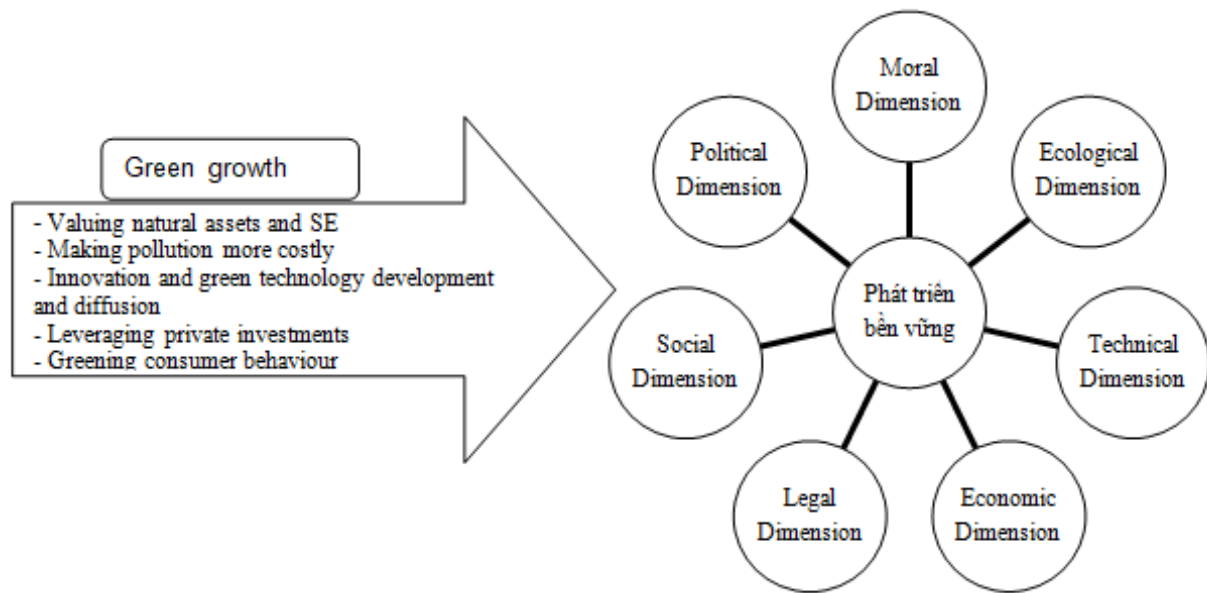


Figure 1. The relationship between green growth and sustainable development

Source: Armand Kasztelan (2017).

Figure 1 suggests that achieving sustainable development should come from a properly designed green growth strategy. It should be emphasized once again that green growth is not a substitute for sustainable development. On the contrary, it must constitute a pragmatic and flexible approach to achieving concrete, measurable progress on two key dimensions: economic and environmental, fully aware of the social consequences of greening the growth of economies. Green growth can provide solutions to economic and ecological problems and create new sources of growth through several transmission pathways:

- Stimulate efficient use of natural resources: increase efficiency, reduce waste and energy consumption and ensure the most efficient use of available resources.
- Bring innovations to common policies and terms, providing new ways of using solutions to ecological problems.
- Create new markets by stimulating demand for green technologies, goods and services; create new job opportunities.
- Enhance investor confidence by increasing the predictability and stability of government activities related to key issues related to environmental protection.
- Ensure more sustainable macroeconomic factors, smaller changes in the price of renewable sources and support budget consolidation, for example, by looking at the structure and effectiveness of public spending as well as increased income through assessment of the impact of pollution (OECD, 2012).

In addition to the general regulations for the world economy, each country has different bases, circumstances and terms of implementation. Particularly for the situation of Vietnam, it can be referred to Vu Thi Minh Ngoc (2017) and Nguyen Thi Thanh Tam (2019). In order to promote the

implementation of the Green Growth Strategy with Vietnam, it is necessary to pay attention to the following contents:

Firstly, continue to improve the planning and investment policy framework. Specifically, it is necessary to complete and soon issue a set of green growth measurement indicators at the national level of Vietnam. Accordingly, it is necessary to add a number of green growth indicators to the system of socio-economic development indicators.

Secondly, continue to perfect the financial policy framework for green growth, allocate and manage the national budget for the implementation of the Green Growth Strategy. In addition, complete the financial policy framework related to promoting the implementation of the green growth strategy, and at the same time develop a mechanism to support the private sector in the preparation and implementation of green growth projects.

Thirdly, continue researching and promulgating green technical norms, standards and guidelines, developing a specific roadmap for green growth activities and implementing, raising awareness about green growth for the leadership levels in State management agencies, sectors, localities and the business sector.

4. CONCLUSION

Activities for green growth open the door to wide and in-depth debate, thus providing an opportunity to reactivate the common goal, which is sustainable development. By reorienting the economy to ensure a mutual synergy between economic growth and environmental protection, green growth strategies aim to support economic development paths to better adapt to the implementation of the sustainable development goals. Such strategies can help build a green economy, characterized by a significant increase in investment in sectors of economic activity that rely on the Earth's natural capital, and at the same time reduce the shortage of ecology and environment.

The main advantage of the emergence of green growth concepts is that it has stimulated international attention and global renewed efforts to transform our current unsustainable economic model, in the proper direction with the urgent goals of sustainable development. Importantly, the efforts of international organizations, key interest groups, expert groups and scientists (including advocates and critics) have led to the development of working principles for green growth, and at the same time can develop a set of tools and measures for national policy. The concept of "green growth" has revived the global debate about a new definition of our economic model in order to achieve the urgent goal of sustainable development.

In a nutshell, green growth or economic growth contributes to the rational use of natural capital, the prevention and reduction of pollution, and provides the opportunity to improve the overall social welfare towards sustainable development. That is the unifying relationship between green growth and sustainable development.

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THE TREND OF USING FINANCIAL INSTRUMENTS FOR GREEN DEVELOPMENT IN SOME COUNTRIES AND LESSONS FOR VIETNAM

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Abstract: *Financial policy is known to be a macro regulatory instrument of the government, a set of goals and measures adopted by the government to influence the financial system in order to carry out the implementation of the country's socio-economic development goals. To ensure the goal of green economic development, the financial policy needs to an appropriate adjustment to facilitate a resource base for economic development target activities associated with reducing the negative impact on the environment. Among the others, the group of public finance instrument appears to be dominant in orientation and adjustment of the implementation of green economic development goals. It includes: instruments of tax and fee; instruments on allocation and use of budget resources for green economic development goals; other policies such as price policy in the production of products that affect the environment, State credit policy for activities related to green growth, green economy... This article will introduce financial instruments as well as trends in using financial instruments for green development in some countries, thereby drawing some lessons for Vietnam.*

Keywords: *Financial policy, Financial instruments, green growth, sustainable growth...*

1. FINANCIAL INSTRUMENTS FOR GREEN GROWTH PROMOTION

It is common that economic activities have impact on the environment. Governments need to make strong intervention by policies to integrate environmental and new climate issues in order to create momentum for unsustainable economic growth. Green financial instruments including Green fiscal policy (Green Fiscal Policy - GFP) and green financial market (Green Finance - GF) are the key instruments for policy makers to handle market failures.

Green fiscal policy: Green fiscal policy includes a range of policy instruments, allowing the calculation of the cost of negative environmental externalities in increasing public income and expenditure, e.g. environmental taxes, public expenditures and spending or harmful subsidies reform. The direct benefits are reduced pollution loads, improved human health outcomes, and a more efficient economy with less market distortion. Indirect benefits include increased domestic revenue mobilization, improved welfare, incentives for reform and green jobs as well as a more energy saving and efficient economy.

Tax and fee policies: Tax and fee policy instrument for green growth deployed in countries are usually divided into the following basic groups:

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Firstly, tax and fee policies to limit the consumption of products and goods that cause environment pollution (environmental tax)

Secondly, tax and fee policies to promote green production, investment and consumption

Tax incentives can be used to promote investment in areas that are considered to have a high “spillover” effect on green growth goals, for example: Renewable energy is normally promoted for scientific and technological development. Accordingly, countries can apply different forms of direct and indirect tax incentives, including: preferential tax rate reduction through the provision of a lower tax rate than the common tax rate or implement income tax exemption and reduction for a definite or indefinite period in order to attract investment capital in a number of industries and trades associated with green growth requirements.

Thirdly, other tax policy instruments

Governments of other countries also use a number of tax and fee policy instrument to promote green growth. For instance, allow deductible expenses when determining taxable income at a higher rate than actually spent (additional deductions); tax refunds on reinvested profits; or apply rapid amortization for investment in some industries associated with green growth goals.

State budget expenditure policy: The financial activities of the state sector are basically carried out through the state budget. The state budget is generally the total financial resources in the budgets of governments at all levels of the state government system from central to local levels. This is the basic financial resource for the state to perform its functions, derived from the distribution and redistribution of national income, that is, bringing part of the value of surplus products to state finance in the form of taxes, fees, charges... In addition, state finance can also be mobilized from ODA, borrowed through the issuance of valuable papers on domestic and foreign financial markets... These financial resources are later on allocated for development goals through public investment programs, national target programs and other expenditures aimed at poverty alleviation, environmental protection, quality improvement of health and education, reduction of social inequality, etc. For instance, the budget expenditure policy for the purpose of environmental protection encourage environmentally friendly economic activities including subsidizing policies to remedy environmental pollution or in cases where the financial capacity of the business cannot tolerate the environmental pollution control. The subsidy also encourages organizations and individuals to do research and develop pollution treatment technologies or environmentally friendly production technologies...

2. THE TRENDS OF USING FINANCIAL INSTRUMENTS FOR GREEN DEVELOPMENT IN SOME COUNTRIES AND EXPERIENCES FOR VIETNAM

The trend of encouraging green production and clean energy projects has been strongly implemented in developed countries in Europe (Germany, Switzerland, Sweden, Norway, France, the Netherlands, Denmark ...) and Asia (Korea, Japan, Singapore, etc.). They are pioneers in implementing green growth through the application of many policies to promote green growth, transforming the growth model towards green growth. Some developing countries like Thailand and Indonesia are also approaching instruments for green growth development.

Firstly, in developed countries: to promote green growth, the Government has policies to invest in infrastructure and support research, development, technology innovation and efficient use of energy, environmental protection.

French Republic: Under the Paris Agreement, with the goal of keeping global temperatures from rising above 2° C, 29% increase in total investment in carbon-reducing energy infrastructure is required within 15 coming years (OECD, 2017). The International Energy Agency (IEA) estimates the total investment in renewable energy by 2040 at around US\$6 trillion to achieve its target¹.

The French Environmental Grenelle Plan (2009) approached green growth by setting different targets for all areas such as climate change, biodiversity and natural resources, sustainable production and consumption, promotion of a sustainable development model conducive to competitiveness and employment, waste management, etc. In the construction sector, the Grenelle Plan sets a new standard for insulation and soundproofing for announced buildings and a program to renovate the heating system of old buildings has been launched to reduce energy consumption by 38% by 2020. The transportation sector has measures to encourage rail and river transport. In the field of renewable energy, the goal is to produce at least 20% of this energy by 2020; Renewable energy electronics production would account for 23% by 2020. To achieve this goal, the implementation process is focused on many aspects. Public policies aiming at building a green economy in France pay focus on improving energy efficiency, ensuring ecological diversity, and the green economy is also identified as an industry that generates growth and employment which is the energy sector of biomass, wind, photovoltaic battery, geothermal, marine energy, biofuel, storage and recovery of CO₂, smart electricity network grid ... In particular, the priority is placed on renewable energy development.

Korea has been at the forefront of green growth initiatives. The National Green Growth Strategy (2009-2050) and the Five-Year Plan (2009-2013) of Korea provide a comprehensive policy framework for green growth in both the short and long term. In the long term, the National Green Growth Strategy aims to: (i) promote new environmentally friendly growth, (ii) improve people's quality of life, and (iii) contribute to international efforts against climate change. The Five-Year Plan outlines government actions to implement the Strategy and detailed tasks for ministries and local governing bodies as well as specific budget units. According to the plan, the Government will spend about 2% of annual GDP on green growth programs and projects. Government investment will be directed towards infrastructure systems to boost the economy².

China: In recent years, the rapid industrialization, increase in agricultural production and urbanization in China have brought prosperity and a higher standard of living to many people, but also created demand for energy, raw materials, and increased pressure on ecosystems, which in turn affects human health. The government strengthens the prevention and control of environmental risks and improves environmental public services. The plan states that the central government will increase financial support, through measures such as budget transfers and ecological compensation to improve environmental public services in the western region, development prohibited or

1 <https://www.oecd.org/investment/The-government-role-in-enabling-investment-and-innovation-in-renewable-energy.pdf>

2 <https://www.oecd.org/korea/greengrowthinactionkorea.htm>

restricted areas and other disadvantaged areas. Local governments at all levels ensure spending on environmental public services¹.

In addition, China applies preferential credit policies to help businesses access diversified sources of non-budget capital as well as reduce pressure on the state budget. For long-term and high-risk projects, loan guarantees are also made to ensure the ability of enterprises to borrow capital in research and innovation activities, especially research on new materials and recycled energy.

Germany: Germany is one of the leading countries in international green credit policy. The banking industry is actively involved in the formulation and development of equatorial principles. When approving a credit project, the bank classifies projects according to the Equator Principles and the Environmental, Health and Safety Guidelines (EHS guidelines), which means assessing impact and risks (including health and safety aspect) brought by the project to the society and the environment, proposing methods to minimize and manage negative impacts. The German government supports the national policy banks KfW to use capital markets and commercial banks to implement financial support policies for environmental projects. KfW's investment in environmental protection in 2008 accounted for 21.66% of total policy loans, covering many aspects such as energy saving, air and water pollution control and soil protection. Total project loans grew by 5% per year, and reached 4.8 billion Euro in 2008. In addition, the project could receive up to 30% discount rate provided by the Ministry of Environment. There was a total of €4.2 billion of subsidized loans in 2008 to invest in renewable energy. Similarly, the UK, France, Korea, and Singapore also use state-owned banks, government-supported banks or national development banks to provide credit for renewable energy and clean energy projects

Thailand: The Environmental Fund of Thailand was established with an initial capital of USD 200 million, granted by the Government of Thailand. The objective of the Fund is to assist Government agencies and local authorities in the investment and operation of waste treatment plants, through the granting of credit, information on the air pollution control system, waste treatment tools... It is regulated that aid to local governments should not exceed 10% of the total investment. The maximum Aid to NGOs is up to 200,000 USD given that the project must support local environmental management, with 30% of the reciprocal capital when receiving aid. The conditions of loans for State-owned enterprises is fixed interest rate of 8%/year, less than 2 years term, loan term of less than 7 years, and they must have investment projects on garbage processing, have not yet received preferential loans from other sources, and be guaranteed by the Ministry of Finance or commercial banks. From 2008 to 2012, the Indonesian government provided loan financing for reforestation and geothermal energy.

In addition to supporting capital for the development of clean technology production, the price policy is also a typical policy to develop the consumption of energy-saving and environment-friendly product. Specifically, in Germany, electricity subsidies are implemented with electricity from renewable energy sources, with the electricity purchase price of only 65-90% of the average price per unit for the end user. At the same time, a renewable electricity price subsidy of 99 Euro/kWh was also implemented to ensure production for a fixed period of 20 years. The Philippines

¹ <https://www.oecd.org/china/greengrowthinactionchina.htm>

has adopted a renewable energy tariff in 2020 for small hydro, biomass, wind and solar projects. The final tariff is decided as follows: Small hydroelectricity: 5.90/kWh; Biomass: 6.63; Wind energy: 8.53; Solar energy: 9.68 (\$0.23)/kWh. China also provides support for encouraging the use of energy-saving products, subsidizing prices in consumer purchases of energy-saving appliances such as air conditioners, refrigerators, washing machines, televisions, electric motors, electric vehicles, energy-saving light bulbs. China grants a 30% subsidy on wholesale trades and 50% retail trade in energy efficient light bulbs.

State credit is one of the traditional instruments and plays an important role in green economic development. Preferential credit reduces obstacles to enterprises' access to capital through preferential loans by environmental protection funds, science and technology development funds, capital sources from commercial banks, etc. The state may take advantage of the technology system and strong private sector participation in green growth. Capital incentives to attract private investment create a scientific and technological foundation in clean energy, clean products, and environmental protection technology, and at the same time, the State will take advantage of advanced technology development techniques for sustainable development.

The policy on prices of environmentally friendly products is a solution applied to adjust the consumption orientation of people as well as the production orientation of the manufacturing enterprises. The subsidy policy for environmentally friendly and energy-saving products in association with tax and fee policies for products being restricted from exploitation and having limited impact on the environment will help regulate competition in the production of clean products, intensifying technological change and innovation towards the investment enterprises' demand for clean products and renewable energy.

Conclusion: In a nutshell, the use of public spending and public investment plays an important role in encouraging activities that contribute to promoting green growth and attracting investment from the public sector.

Public spending focuses on areas such as: Promotion of the creation of new technologies; Infrastructure investment in general to develop green innovation; Promotion of green, new industries – which is a strategy to create comparative advantage and solve long-term growth and employment problems.

Public spending may have specific goals or long-term strategies, affecting markets, green projects, sectors and investors. However, it is necessary to carefully consider strategies because financial resources are limited. Government interventions on public expenditure need to be aligned with sustainable development priorities, taking into account the impact of economic sectors; Consistent with strategies to promote the country's comparative advantage; Ensuring strategic goals to have a long-term impact on the movement of the market; Ensuring cost control mechanism

Green credit policy is considered to be highly effective in encouraging businesses towards cleaner and safer production and business activities for sustainable development. Green Credit provides preferential low-interest support and implementation loans for research and production of pollution control equipment and any business or organization that protects ecology and builds, develops, uses new energy and engages in green production and ecological agriculture.

Credit policy provides incentives for businesses to help businesses access capital for production and business investment, but at the same time, it is associated with commitments on environmental protection. The influence of preferential credit can be seen in two aspects: for businesses, it is to encourage and promote production; for the economy, to encourage the adjustment of production industries in the direction of being environmentally friendly, reducing the impact on the environment.

Regarding price policies, the impacts on building a price range when consuming environmentally friendly products and clean energy help people adjust their consumption towards environmentally friendly products, reduce emission ratios... Along with that, the application of an environmentally friendly product price range will make businesses not have enough revenue to cover costs and be profitable, therefore, a price subsidy policy should come along to help businesses maintain and develop clean production activities.

Some other policies such as deposit for environmental improvement in mining mineral resources... require the environmental responsibility of mining companies to limit unwanted environmental impacts, ensure development and sustainable exploitation of resources, avoiding destruction of the surrounding habitat and ecosystem after exploitation.

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THE ROLE OF VIETNAMESE PRIVATE ECONOMIC SECTOR IN THE DEVELOPMENT OF THE NATIONAL ECONOMY IN THE CONTEXT OF INTERNATIONAL INTEGRATION

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Abstract: *In the context of the global integration, developing the private economic sector in line with the socialist-oriented market economy as an important force for the national economic development is one of the strategic goals. This paper will give a brief overview on the development of Vietnamese private economic sector, the role of this sector and its achievements as well as limitations over the years, then propose some suggestions for the development of this sector in the context of the international integration.*

Key words: *Private economic development; The role of the private economic sector; the international integration.*

1. INTRODUCTION

The view of the 13th National Congress on the role of the private economic sector as “an important force of the economy” implies the recognition of the government for the great contributions of this economic sector in the process of socio-economic development, strengthening national security and defense. Therefore, at the same time, there is a strategy in the 13th National Congress that the government need to create favorable condition for the growth of this private sector in the socialist-oriented market economy. In addition to the great economic contribution, this sector also have significant contribution for social and political development. Thus, the role of the private economic sector in the socialist-oriented market economy and international integration are increasingly recognized.

2. METHODOLOGY

Information used in this paper is collected from 3 main sources. The first dataset consists of accounting and financial figures which are collected from companies’ websites. The second dataset is originated from conducted survey and interview. And, the final dataset about companies’ sustainability is extracted from different media resources. These collected information is then summarized before being analyzing and assessing

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3. VIETNAMESE PRIVATE ECONOMIC SECTOR AS ONE OF THE MOST IMPORTANT FORCE OF THE ECONOMY

The acceptance of Vietnamese Party and Government regarding private sector economy in the Central Resolution No. 6, class VI has been a great revolution for the development process of this economic sector. Although many issues has been raised in the implementation process of this Resolution due to existed inconsistent perspectives, the development of Vietnamese private sector has been positive. The great development of economic sectors across many fields using available and potential resources has helped to improve the average living standard. However, Vietnamese Party and Government at the same time recognized that resources, goods and services provided by public sector was limited compared to the total national demand. Therefore, it is necessary to give private sector freedom to produce and trade goods and services and give this sector chances to develop. Achievements gained by private sector during this time confirm the right and effectiveness of this decision made by Vietnamese Party and Government. These undeniable achievements also showed that creative application strategies of Vietnamese Party and Government this time had worked. The VII Party Congress has summarized, evaluated and learned lessons from experience, then proposing many solutions to promote private sector development in the direction of socialist economy. During this period, many Party Resolutions and documents on non-state sector development, including the private sector, were issued, creating a legal basis for private sector development. In 1990, the Enterprise Law were promulgated, the 1992 Constitution also affirmed the constitutional role of the private sector. This Constitution stipulates that all economic sectors, including the private sector, must fulfill their obligations to the government, have equal positions in the economy, are protected by the government, etc. In 2000, the revised Enterprise Law was introduced creating an important development condition for the private sector. The newly enacted and completed legal and policy system has been creating a favorable legal environment for the development of the private sector. Especially, after the VIII Party Congress, many forums have been created for the cooperation between State agencies and responsible individuals in the economy, such as managers, executives of enterprises. They discussed mostly on how to improve current legislation and how to practice current legislation correctly. The IX Party Congress again confirmed Vietnamese economy is a multi-market economy developed towards socialism orientation, in which the private sector is an important component. In particular, the Document of the XII Party affirmed that "Vietnam's socialist-oriented market economy is a market economy that operates fully and synchronously according to the laws of the market economy, while ensuring the socialist orientation suitable for each development stage of the country. It is a modern and internationally integrated market economy, governed by a socialist rule-of-law state, led by the Vietnamese Communist Party, with the aim of "rich people, strong country, justice, democracy, civilization". This shows that, the Vietnamese market economy that is being built and improved has outstanding features such as operating under the influence of market laws, many economic sectors compete equally within the law, the government uniformly manages and operates the economy according to the Law.

The Government continues to assert the private sector is an important force in the economic development and "encourage the formation, development corporations private sector strong" in order to arouse the desire to get rich of the whole society. From there, creating a basis for the maximum mobilization of resources for socio-economic development, strengthening national

defense. The private sector is essentially an economic component that the whole people can participate in. History has proven that, when the country was still in danger of foreign invasion, even though it was fiercely suppressed by the French and American capitalists, there were still Vietnamese businessmen who rose up to do business successfully. The persistent existence of the individual household and smallholder economy during the subsidy period is also a testament to the persistent endogenous capacity of the private sector. With new opportunities created from the 13th National Congress, it is certain that the private sector in our country will reach new successes, making more and more contributions to socio-economic development, strengthening national defense. of the country. However, the private sector, no matter how developed, cannot challenge the leading role of the state economy; Vietnamese entrepreneurs, no matter how rich and successful in business, can never become a factor challenging the economic regulation of the State. It is a regular problem in the development of a socialist-oriented market economy in Vietnam.

The view of the 13th National Congress on the role of the "important force of the economy" of the private sector shows the recognition of the government for the great contributions of this economic sector in the process of socio-economic development, strengthening national security and defense. In 35 years of practice, the country's renovation, under the leadership of the Party, the private sector has developed widely throughout the country making important contributions to economic development, mobilizing social resources for production and business, creating more jobs, improving people's living standard, increasing the state budget, supporting political stability. The private sector continuously maintained a good growth rate, accounting for 39-40% of GDP; attracting about 85% of the economy's labor force, making an important contribution to mobilizing social resources for investment, production and business development, economic growth, economic restructuring, and increased state budget, create jobs, improve people's living standard, ensure social security.

Besides the achievements in the economy aspect, the position of the private sector has been increasingly enhanced in political and social life. Currently, economic-related legal documents are required by the National Assembly and the Government to consult the private business community through the Vietnam Chamber of Industry and Commerce (VCCI) before promulgation.

In terms of defense, the development of the private sector in recent years has contributed to stabilize the socio-political environment, strengthen the potential political - spiritual, economic potential, scientific - technological potential of the all-people national defense. The widespread development of the private sector, especially in rural, deep-lying and remote areas, where borders and islands have directly contributed to the improvement of the entire people's defense posture; gradually meet the regular and unexpected needs of the armed forces. The owners of individual economic households, smallholders and private enterprises in all regions of the country have effectively participated in the implementation of many policies behind the army, supporting self-defense activities, etc. That shows that the potential role and value of the private sector's contribution national construction and defense is enormous. And, the view that the private sector is an important force of the economy is continued to be affirmed by the 13th Party Congress as being objective, scientific and pleasing to the people.

When recognizing the role of the private sector as an important force of the economy, there will be a new revolution in thinking, unifying thought, perception and action in the political system, as well as in the political system. In terms of mechanisms, policies and laws of the State must create all conditions to make the best use of that motivation. This also means that the development of the private sector must be considered as a part of the development of the productive forces, perfecting the production relations during the transition to socialism; is one of the means that should be prioritized to achieve the goal of improving social labor productivity - the decisive factor for the success of the socialist-oriented renovation.

4. THE ROLE OF VIETNAMESE PRIVATE ECONOMIC SECTOR

The role of the private sector in the socialist-oriented market economy and international integration are increasingly recognized and evaluated objectively. At the 12th National Party Congress affirmed "the private sector is an important force of the economy". At the 12th Central Committee, there was a discussion on "continuing to renovate mechanisms and policies to encourage and facilitate the development of the private sector" with the goal of developing the private sector to become an important force of the socialist-oriented market economy, creating conditions for the private sector to develop sustainably, with high speed in both quantity and quality and share in gross domestic product (GDP). The Resolution is a new step forward, creating a force for the development of the private sector and the entire national economy, and at the same time demonstrating the renewal of the Party's economic thinking to match the realities of the economy after the renovation years. Macro policies facilitate private economic development such as state budget revenue and expenditure policies, land policies, preferential policies on corporate income tax, import and export tax, credit policy, etc. In the mobilization of social resources for investment and business development, economic growth, restructuring the economy, increase state budget revenues, improve people's living conditions and ensure social security, the private sector is contributing more and more. Currently, the private sector accounts for more than 40% of the country's GDP, creates 1.5 million jobs for society, contributes 18.8% of export turnover and competitive capacity has been gradually improved. Developing the private sector is a factor that not only ensures the maintenance of GDP growth, generates revenue for the state budget, but also participates in solving a series of social problems such as creating employment, poverty alleviation, human resource development, etc. The private sector continuously maintained a good growth rate, accounting for 40-43%, attracting about 85% of the labor force. The private sector's contribution has always been at 43% of GDP compared to the state sector's 28.9% of GDP and the foreign direct investment sector's 18%. Brand sector investment has not only been recognized in the domestic market but also in the regional market and international, there are economic groups that have large scale both in terms of capital and technology such as Viettel Group, Vietnam National Oil and Gas Group, Vietnam Electricity Group, etc.

Although the private sector has achieved many goals, there are still several limitations:

Firstly, the regulatory environment for the sector of private is not good enough. Many policies to support private sector has not really come to life due to bad implementation process or difficulties in administrative procedures.

Secondly, the private sector's contribution to economic growth has not been commensurate with its potential and expectation. Although there have been positive contributions to economic growth, the proportion of contribution of the private sector has not grown significantly in many years, the goal of contributing about 50% of GDP by 2020 is a challenge. The average contribution size of private enterprises is small, mainly the contribution of the individual economy 30%, while private enterprises only contribute about 9% of GDP.

Thirdly, the industrial production capacity of the private sector is still low. It has only begun to develop and has not yet reached the international market, mainly only in the domestic market. Due to the limitations of the private economic sector such as the level of technology, management level and capital scale are still very limited, not competitive enough, so the expansion of the international market of the Vietnamese economic sector is very limited. The South is still limited, mainly developing in the domestic market with small and micro enterprises as the main ones. Products of private enterprises have low scientific content and are not competitive enough in the international market. "Most of the industrial production of private enterprises is outsourcing using imported machinery and raw materials, the technology which is taking place in each industry and in many enterprises are not up to date, modern and advanced technology is concentrated in only a few businesses and a few fields. Due to the low level of technology, private enterprises are not able to join the supporting industry for large enterprises, especially cannot take advantage of the spillover effects from FDI enterprises" [2]

Fourthly, lack of market, lack of production and business premises. This is a big barrier for private enterprises in Vietnam. Although, in recent years, the State has created favorable conditions for the private economic sector in land policies, policies in industrial zones so that private enterprises have conditions to access policies, information, planning, etc. However, in reality, the implementation of policies is still inadequate, so private enterprises do not have close association with large-scale enterprises and do not have any connection together to form a value chain.

Fifthly, low financial capacity, outdated technology, slow innovation; product quality and competitiveness are still limited; no more ability to participate in value chains and production network. Despite of a rapid increase in the number of private enterprises, the scale of the majority of these enterprises are small and super small. There are 97% of private businesses are small ones. In fact, there are 66% of private businesses employing less than 10 people. Business performance are still limited, high rate of business losses, high rate of annual dissolved enterprises, especially in 2015, there were 71,391 businesses facing difficulties and had to suspend their operations (an increase of 22.4% compared to 2014) [2]. In particular, in the early of 2020, the spread of the Covid-19 pandemic effected significantly on many private enterprises that they could not maintain their operations thus being forced to dissolve or cease their operation for unpredictable period. Outdated technology is still used in manufacturing and day to day operation due to low level of investment in innovation. In fact, many enterprises even use obsolete machinery that has not been used for decades in other countries. In addition, financial capacity and business efficiency are low, many enterprises do not have enough financial resources to carry out large projects. Therefore, they are not so likely to participate in the regional and global value chains and production networks, mainly focusing on the low value stage

Sixthly, weak management skills. Many managers working in private sector have weak managing skills. Most of them do not receive a full training on business management, thus, their ability to lead their businesses to participate in value chains remains inadequate. On the other hand, the inadequacies in the supervision of activities for all economic sectors in general and the private sector in particular of state agencies are still limited, causing great waste of money and other consequences.

The main cause of the above limitations of Vietnamese private sector, first of all, is the inadequate awareness of the role and position of the private sector. In addition, the support mechanism for private sector has not been put into practice, private sector have little access to government support policies and incentive programs. Moreover, the administrative reform process is slow, the administrative procedures are cumbersome and complicated, causing many difficulties for the development of private sector.

5. SUGGESTIONS FOR THE PROMOTION VIETNAMESE PRIVATE SECTOR IN THE CONTEXT OF INTERNATIONAL INTEGRATION

Recently, Vietnamese economy has developed rapidly joining deeply to the international integration process. Moreover, Vietnam has participated in international economic organizations such as the World Trade Organization (WTO), engaged in free trade agreements such as Vietnam-US trade agreement, committed with financial institutions such as Phat Bank Asian Development (ADB), World Bank (WB), International Monetary Fund (IMF). The context of international integration creates many opportunities but also poses many challenges. In particular, started at the end of 2019, the outbreak of Corona viruses started in Wuhan, China, and quickly became a pandemic spread globally, causing negative impacts on many economies though out the world. In this context, promoting private sector development requires effective solutions. The 12th National Party Congress affirmed that the development of the private economy is an important driving force, leading to the development of other economic sectors in the national economy. More importantly, the development of the private economy contributes to “an improved investment and business environment, transparent and more equal competition among economic sectors and types of businesses, contributing to dynamic, distributing and increasingly efficient use of domestic and foreign resources for socio-economic development” [1]. To successfully develop the private sector in the upcoming years, it is necessary to well implement the following basic suggestions:

Firstly, improving economic institutions and policies that fit in current reality.

Improving the socialist-oriented market economy institution is a strategic direction as well as an important breakthrough, creating conditions for rapid and sustainable socio-economic development. Improving economic institutions must go hand in hand with reforming synchronously, enhancing the organizational and personnel apparatus of the entire political system; clearly defining and properly implementing the positions, roles, functions and relationships between the government, the market and the society in accordance with the market economy; ensuring socialist orientation; maintaining and strengthening the leadership of the Communist Party of Vietnam and the management of the rule of law state. The public apparatus from central to local must really innovate in awareness and thinking, regularly study and foster knowledge to advise businesses on the issues they need in management and in implementing the Enterprise Law.

Any economic sectors, which want to develop, must fulfill all factors such as financial resources, human resources and production materials. These factors are combined together in the production process to create goods and services. Therefore, there should be specific institutions to meet the development requirements quickly and sustainably. For controlling institutions, streamlining the apparatus, payroll, building a contingent of qualified agencies who meet the requirements and duties, improving the quality and efficiency of the entire political system; all levels and branches must have a sense of responsibility, improve professional ethics in serving the development of enterprises operating in accordance with the law. Improving institutions on mobilization, allocation and use of resources, ensuring social equity, creating conditions for private businesses to access resources. Especially, it is necessary to review and remove difficulties in economic institutions to stabilize the macro-economy, control public debt, handle bad debts, and restructure the commercial banking system and state-owned enterprises; urgently convert enterprises that own assets, state capital to equitization; develop public service market, real estate market and land use rights; ensure equality in business activities among economic sectors, create fair, transparent and fair competition for all enterprises in all economic sectors.

Secondly, improving business environment, investment environment and business supporting activities.

Recently, many policies supporting private sector have been issued such as tax policy, land policy, credit policy, etc. However, there are still many difficulties applying them in practice. To create an equal business environment among economic sectors, create conditions for private enterprises to develop and become a driving force of the economy, it is necessary that all departments, state agencies, needs to raise their awareness, create conditions for qualified people with to start-up businesses. In the short term, it is necessary to focus on a number of factors such as facilitating private sector to access inputs of production and operation (finance, land, labor, technology, information, etc.); local authorities should actively implement discussion programs with businesses in order to promptly remove difficulties faced by businesses, implement administrative reform thoroughly, reduce administrative procedures, etc. Improving policies to encourage and support the private sector to actively apply science and technology into business activities to increase production value and improve competitiveness; building credit programs and packages with reasonable interest rates; encouraging private sector to participate in cooperation, especially participation in public investment projects, etc. Setting up effective measures to prevent the existence of interest groups, local interests; resolutely handling negative phenomena, corruption, bureaucracy which are barriers and cost burden for private sector development.

Thirdly, accelerating the equitization to transform state-owned enterprises into joint stock companies.

In order for the private economy to become the driving force of the economy, it is essential to accelerate the transformation of state-owned enterprises into joint stock companies. In fact, in recent years, the equitization of state-owned enterprises has been slow because interests groups, ministries and agencies all want to keep their own state-owned enterprises. On the other hand, private enterprises are too small to have advantages in all aspects, especially competitive

advantages. Therefore, it is required to have large, strong private groups that can compete with large corporations in the world, which is due to promoting the equitization of state-owned enterprises.

Fourthly, promoting start up projects

Focusing on creative projects in a number of industries with advantages and potentials; creating a fair business environment; checking the abolition of regulations on business conditions that are unsuitable to the process of development; building a pilot institutional framework for new business models for a number of high-risk areas.

Fifthly, innovating education and training programs, fostering and developing human resources; improving governance for private businesses.

In fact, for a long time, Vietnam has focused too much on the training of majors in the fields of humanities, banking and economics, not technology, engineering and mechanism, thus causing an imbalance in the profession. Therefore, it is necessary to carry out training and implementation guidance in high school in order to ensure balance training fields. On the other hand, in fact, the governance level in Vietnamese private enterprises faces many weaknesses, many managers do not know how to manage an enterprise, thus reducing the ability to compete in the marketplace. Therefore, the government, especially the professional associations need to support in training and fostering knowledge of business managers and legal knowledge for these enterprises in order to improve their management level.

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LAND FINANCE POLICY TO ATTRACT NEW GENERATION FDI IN VIETNAM

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Abstract: *FDI enterprises increasingly play an important role in the economies of countries, especially developing countries. In Vietnam, the foreign direct investment (FDI) sector is increasingly asserting its important role in the socio-economic development of Vietnam. In the past time, the financial policy system for foreign direct investment enterprises in Vietnam has been continuously built and improved, bringing a lot of achievements in attracting and enhancing efficiency, production and business of FDI enterprises. However, the financial policy for foreign direct investment enterprises in Vietnam still reveals many limitations, which have been reducing the attractiveness of the investment environment in Vietnam. This study has made recommendations on land finance policy to attract new generation FDI enterprises in Vietnam.*

Keywords: *FDI enterprises, land finance policy, financial policy system*

1. INTRODUCTION

Many studies have examined the possibilities and level of impacts of financial policies on the FDI enterprise sector in different areas. Although the results are different, generally all researchers agree that the investment decisions and performance of FDI enterprises are influenced by the macroeconomic policies of the host countries. Particularly for countries where land is owned by the state and land prices are still controlled by the government, like Vietnam, besides important tools such as taxes and public expenditures, the policy Land finance is also a financial instrument that has great influence on the FDI enterprise sector.

In terms of land finance policy: it can be seen that the cost of renting real estate such as offices, factories, etc. often accounts for a large proportion of the total costs of the business, so investors are very interested in choosing an investment location with a reasonable property rental price and a long-term rental stability period, so that they can easily plan their investment activities. It can be said that the land finance policy of countries, especially those in which land is owned by the state, is also an important factor affecting investment decisions of enterprises. It has been shown by Jia, LJ, & Zhao, GJ (2011) that competitive land prices in the host locality have a significant positive effect on FDI attraction, although the level of significance is smaller than that of other factors.

Therefore, in this study, we propose the hypothesis that: reasonable and stable land finance policy has a positive impact on attracting and increasing the performance of FDI enterprises.

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2. NEW GENERATION FDI ENTERPRISES:

FDI not only helps to increase development investment capital, increase budget revenue, create more jobs, but also promote exports, providing a driving force for economic growth. According to statistics, FDI enterprises currently contribute about 23.5% of total social investment (nearly 20% of GDP), accounting for over 70% of export turnover... Meanwhile, in China, although the Foreign enterprises account for less than 3% of total enterprises in this country, but contribute nearly 50% of foreign trade value, over 25% of industrial enterprise profits and 20% of tax income.

However, FDI also has some problems, which if not handled well, would make it difficult to achieve the goal of sustainable development. For example, the trend of exporting pollution from developed countries to developing countries through FDI is increasing. In fact, many FDI projects in developing countries go into manufacturing industries that are not associated with deep processing, low added value such as raw agricultural products or highly processed industries such as assembly, leather shoes, apparel. The increase of FDI in energy-consuming sectors with large emissions, not environmentally friendly such as ship repair, pulp production, tanning, fabric dyeing, chemical production or mining minerals are also a matter of note. A part of FDI has been turning the host country into a gathering place for old and outdated machinery and technology, causing consequences not only for the economy but also for the environment.

Besides, according to the latest research results conducted by the International Monetary Fund in collaboration with the University of Copenhagen, nearly 40% of global FDI, equivalent to 15 trillion USD, is just "ghost capital", not generating production or trade activities, but only to evade taxes or to enjoy low tax rates. Most of that "ghost FDI" goes to tax havens around the world such as Hong Kong (China), Singapore, Switzerland, Ireland, Mauritius, Virgin Islands, Cayman Islands and Bermuda. It is worth noting that "ghost FDI" is on an increasing trend, from 31% in 2010 to 38% in 2017 and now around 40%, much faster than the growth of global GDP in 2018. same time. Then, what is high quality FDI or new generation FDI? According to the International Growth Center (IGC) based in London (UK), high-quality FDI has a number of characteristics such as contributing to the creation of "decent" and value-added jobs, strengthening the skills for economic sectors of the host country. Besides, high-quality FDI enterprises will facilitate the transfer of technology, knowledge and know-how, increasing the competitiveness of host country enterprises, allowing them to access the market. In addition, a high-quality FDI enterprise will operate in a socially and environmentally responsible manner in the country where the project is located.

In Vietnam, the fourth wave of FDI (after the first wave in the early 90s of the last century after the country had a law on foreign investment, the second wave in the early 2000s when bilateral trade agreements between Vietnam and the United States was signed, the third wave which is the consequence of Vietnam's accession to the WTO in 2006, now the fourth wave comes due to the impact of new generation free trade agreements with the United States, associated with COVID-19, supply chain shifts due to COVID-19 and the trade war) are gradually shifting. In order to make effective use of the 4th wave, we will certainly not only care about the quantity, not run after projects of hundreds of millions, billions, even tens of billions of US dollars if these projects does not contribute to improving the quality of Vietnam's development, does not create

more decent jobs for Vietnamese people, does not symbiosis with domestic enterprises, does not spread technology, modern governance and culture business, not creating greater added value for the economy...

The development space of many provinces and cities in Vietnam, especially in major economic centers, has become cramped. We need and have the right to choose new generation investment projects of higher quality. In order to do this, there needs to be shared responsibility from three parties, including the Vietnamese Government and the Vietnamese business community.

It is known that one of the important strategic directions in attracting foreign investment of Vietnam in the coming period is to focus on attracting investment in large-scale projects of transnational corporations. national projects, projects in the fields of modern industry, future industry and advanced services to upgrade national technological capacity... In which, priority is to be given to attracting foreign investment in industries and fields creating high added value, linking the global supply chain; focus on catching up with the new trend of international investment in the industrial revolution 4.0...

In addition, it will gradually balance between attracting export-oriented investment with investment attraction to meet the increasing demand of the domestic market, while developing valuable products and services. increase by domestic raw materials... Another important orientation is that it will not encourage foreign investment attraction in the fields that domestic enterprises can do.

3. WHAT IS LAND FINANCE POLICY?

For enterprises in general and FDI enterprises, the land finance policy not only directly affects the operating costs of enterprises, but it is also a key input for production. business. Especially in countries where land ownership and regulations on land finance such as land rental unit price, rental stabilization period, etc. are governed by the Government, the policies on land finance are special. special attention from enterprises with foreign direct investment.

Land financial policy is a system of viewpoints, lines, policies and solutions in terms of economic and financial relations of the State with land users issued in each period and context, thereby creating resources to help promote economic and social development.

The contents of the land finance policy for FDI enterprises include:

- Policy on land rental price: land rental price always plays a very important role in the problem of cost of investors when making decisions, policy on rental price includes regulations on the stability of the property, land rental price during the lease term, land rental price bracket, ground rent exemption and reduction, and regulations on lease term.

- Other land finance policies: financial support policies of the government of the host country in compensation and clearance and ground leveling for FDI enterprises.

4. IMPACT OF LAND FINANCE POLICY ON ATTRACTING NEW GENERATION FDI ENTERPRISES IN VIETNAM.

Regarding land finance policy: it can be seen that the cost of renting real estate such as offices, factories, etc. usually accounts for a large proportion of the total cost of the business, so investors are very interested in choosing this option. choose an investment location with a reasonable

rental price and a long-term rental stability period, so that they can easily plan their investment activities. It can be said that the land finance policy of countries, especially those where land is owned by the state, is also an important factor affecting investment decisions of enterprises. It has been shown by Jia, LJ, & Zhao, GJ (2011) that competitive land prices in the receiving locality have a significant positive effect on FDI attraction, although the importance is less than other factors. another factor. From the above studies, it is possible to summarize the impacts of land finance policy on the operation of specific FDI enterprises, as follows:

- Policy on land rent:

+ Firstly, the regulation of land rental price bracket publicly and clearly will create favorable conditions for FDI enterprises in planning their production and business activities.

For countries with clear and transparent regulations on land price and land rental rates, it will help FDI enterprises easily access and plan their business in the most effective way. The enterprise has the financial initiative to fulfill its goals and obligations to the state. At the same time, stable regulations on land rental prices during the investment process or in an operating cycle help to prevent land price fluctuations in the market, which will not greatly affect the land rental costs of enterprises. Enterprises have peace of mind when investing in modernization and construction of factories...

+ Second, land rent exemption and reduction incentives will help FDI enterprises have more resources to expand production and business.

The amount of land rent accounts for a significant part of the total cost of production and business of the enterprise. Therefore, preferential policies such as land rent exemption and reduction for FDI enterprises will help enterprises have more resources to expand production investment. Especially when businesses are in the period of capital construction, this support from the Governments of the receiving countries will help businesses reduce difficulties when the investment project has not been put into operation. Thereby helping to make production and business activities of FDI enterprises more stable.

+ Third, stabilizing the land lease period will help stabilize the investment psychology of FDI enterprises.

In addition to the land rental price, the regulations on the land rental period are also very interested by FDI enterprises because the regulation of the long enough land rental period will help increase the stability of the investment activities of enterprises in other countries. this amount and is sufficient to recover the invested capital.

- Policy on other land financial obligations:

Real estate is one of the key factors in the capital structure of enterprises, especially FDI enterprises. It can be said that real estate is an important fixed asset and an indispensable labor document for FDI enterprises, therefore, the support from the Government of the host country in compensation and settlement. Clearing and leveling the ground will help the clearance and construction of factories, workshops, etc. of these enterprises to be deployed quickly, thereby shortening the time of basic construction for production and business activities. Your business can happen faster and more efficiently.

It can be affirmed that the development of a consistent and transparent land finance policy and ensuring the harmony of interests between the parties will positively affect the attraction and increase the operational efficiency of FDI enterprises.

5. CURRENT STATUS OF REGULATIONS ON LAND FINANCE POLICY FOR FDI ENTERPRISES IN VIETNAM:

Right from the early years of the process of attracting FDI enterprises to Vietnam, the Government has always been interested in improving the investment environment and creating favorable conditions for FDI enterprises through the construction of policy regimes, including land finance policy. Up to now, land finance policies are increasingly being perfected, specifically the legal documents related to land finance policies for FDI enterprises are as follows:

General regulations on land finance are prescribed in: Law on Land Law No. 45/2013/QH13, Decree No. 121/2010/ND-CP, Circular No. 94/2011/TT-BTC, etc.

The policies on financial incentives for land are specified in: Decree No. 108/2006/ND-CP, Decree No. 142/2005/ND-CP, Decree No. 121/2010/ND-CP dated 30/ December 2010, Decree 210/2013/ND-CP,.....

In the period before 2005, the introduction of the Land Law in 1993 marked an important development in land finance policy with a series of progressive regulations, step by step in line with the market mechanism. . Decrees and documents guiding the implementation of the Law have gradually been promoted in life, especially land finance policies such as: Policy on collection of land use levy, policy on collection of land rent and water surface rent. and documents amending and supplementing the Government, guiding documents of the Ministry of Finance on the above policies. Financial policies related to land finance issued in each specific context and period have created positive changes in the exploitation of land financial resources for economic development - society of the country. In addition, there are regulations on incentives for exemption and reduction of land use fees, land rents, and water surface rents, contributing to improving the investment environment, and reasonably settling the interests between the State and users. soil.

From 2005 to now, to support businesses, the Government has issued many supporting policies and solutions, specifically:

- 50% reduction of land rent in the period from 2011-2014;
- Adjustment to reduce the rate (%) for calculating the general land rental unit price from 1.5% to 1% and the provincial People's Committee to specify the rate (%) in the frame from 0.5% to 3 % according to each area, route corresponding to each land use purpose to apply the collection of land rent in the locality;
- Regulations on application of land price adjustment coefficient in determining land price for calculation and collection of land rent for land parcels

Therefore, preferential policies on land finance are increasingly being improved, specifically land finance policies for FDI enterprises are as follows:

- Regarding the term of land use and lease: the term of use and lease of land of FDI enterprises to implement investment projects in Vietnam shall be considered and decided on the basis of

investment projects or applications. lease land for not more than fifty years; for projects with large investment capital but slow capital recovery, investment projects in areas with difficult socio-economic conditions, and areas with extremely difficult socio-economic conditions that require a long period of time. If the term is longer, the term of land allocation or land lease shall not exceed seventy years.

- Regarding the land rental unit price: The current land rental unit price in Vietnam for FDI enterprises prescribed by the Provincial People's Committee is the land price in the land price list promulgated and announced by the Provincial People's Committee on January 1 every year. In case the land price prescribed and announced by the People's Committee of the province has a fluctuation of 20% or more compared to the land price used to calculate the land rent at the time of determining the previous land rental unit price, the Department of Finance shall assume the prime responsibility for redefining and submitting to the provincial People's Committee for decision on appropriate adjustment as a basis for the Department of Finance to decide to adjust the rental unit price of the next period (05 years).

- Regarding the time of stabilizing land rental unit prices: The land rental unit prices of each project are stable for 5 years. At the end of the stabilization period, if the land price prescribed and announced by the People's Committee of the province changes by no more than 20% compared to the land price for calculation of land rent at the time of determining the previous land rental unit price, then the Department of Finance shall decide the land rental unit price for the next term.

- Regarding land financial incentives: FDI enterprises investing in Vietnam will enjoy the following incentives in terms of land finance:

+ Exemption from land rent and water surface rent from the date the project is completed and put into operation from 3 years to a maximum of 15 years for investment projects in areas or fields encouraged by the State for investment according to regulations. Government regulations.

+ Particularly for agricultural projects in which FDI enterprises are eligible for special investment incentives, land use fees will be exempted, for projects with investment incentives, or investment incentives will be reduced in turn. 70% and 50% of land use fee for the entire project implementation period.

+ At the same time, to attract investment, strengthen the management and effective use of financial resources of land in economic zones and hi-tech parks; The Government issued Decree No. 35/2017/ND-CP dated April 3, 2017 stipulating the collection of land use levy, land rent, and water surface rent in economic zones and hi-tech zones with incentives higher than the incentives of ordinary investment projects.

Although the current land finance policies have not been completely completed, they have initially opened the door to create conditions for FDI enterprises to have the motivation to invest more deeply in the Vietnamese market. In addition to a number of important changes to help resolve issues related to real estate related to land and land acquisition - the cause of disputes over the years, including: land allocation, land lease; land acquisition; land price and land lease period, FDI enterprises who rent land with one-time payment before the effective date of the law can continue to use the land for the remaining lease period, or can change to the form of land

allocation with payment. using land. Thereby, helping to strengthen the equality between domestic and foreign entrepreneurs.

* Advantages of land finance policy for FDI enterprises in Vietnam:

- Firstly, the land finance policy is gradually improving towards being simpler and more suitable with international practices and creating a fairer playing field for FDI enterprises.

The financial policy on land for FDI enterprises and domestic enterprises is almost the same in terms of land rent collection policy and other land financial obligations and incentives. In particular, a new point in the 2013 land law, foreign-invested enterprises can be allocated land to invest in building houses for sale or for sale and lease. Land tenants who pay a lump sum payment before the effective date of the law can continue to use the land for the remainder of the lease period, or can change to a form of land allocation with land use levy. Thereby, helping to strengthen confidence and create more fair competition for production and business activities of FDI enterprises in Vietnam, especially in the field of construction and real estate business.

- Second, the incentives on land finance have brought many positive effects to FDI enterprises.

The incentives for land rent exemption and reduction, which have been changed over the years, have brought benefits to many businesses. The author's survey results show that FDI enterprises assess that the regulations on land rent exemption and reduction bring many positive and positive impacts on the efficiency of investment and production and business of these enterprises in Vietnam. Vietnam. The current land finance policy is assessed by FDI enterprises as 4.01 points on a 5-point scale, showing the initial successes of the Government's policy reform.

* Limitations of land finance policy for FDI enterprises in Vietnam:

- Firstly, the land rental price is not close to the market value, leading to loss of state budget revenue.

The current land rental unit price in Vietnam is still quite low compared to other countries in the region, which directly reduces state budget revenue. On the other hand, we still do not have regulations to adjust the added value of land rents in some areas due to the State's re-planning of infrastructure, which is also a big reason for the loss of land rent. state budget revenue.

- Second, there is still a lack of synchronization between legal documents on land finance policy and between regulations of ministries, causing many difficulties for FDI enterprises as well as state agencies. during operation.

In recent times, there are still many conflicts between legal documents on land and conflicts between ministries and agencies. For example, in compliance with the provisions of the Land Law and the principle of application of the law of the Law on Promulgation of Legal Documents, in recent years the Ministry of Natural Resources and Environment has guided localities to strictly comply with the provisions of this Law. provisions of the Land Law for the case of projects in the fields of investment incentives, investment incentives. However, the Ministry of Finance has issued a document guiding the direction of land rental exemption for a number of years, which is considered a reduction in land rent and must auction land use rights when allocating or leasing land. These conflicts have caused many local governments and FDI enterprises to face many

difficulties related to the application of land lease policy to investment projects in the field of investment incentives and investment projects. invest in areas eligible for investment incentives.

- Third, the actual land rental price list is not stable for a long time, causing difficulties for FDI enterprises in financial planning as well as stabilizing investment psychology.

For enterprises that lease land directly from the State, the land rental unit price is partly determined based on the Government's land price bracket, the local land price list and the actual local land price. However, in the past time according to the provisions of the Land Law 2013; From 2015 the People's Committees of provinces and centrally run cities will issue land price lists on a 5-year cycle. During the implementation of the land price list, when the Government adjusts the land price bracket or the land price in the market fluctuates, the Provincial People's Committee will adjust the land price list accordingly. With such a regulation, the fact that the land rental cost of the enterprise can fluctuate at any time in the 5-year cycle according to the fluctuation of market prices, which will affect the cost and stability in the future. business of FDI enterprises.

CONCLUSION

In recent years, the system of land finance policies for foreign direct investment enterprises in Vietnam has been continuously built and improved, bringing a lot of achievements in attracting and enhancing production and business efficiency of FDI enterprises. It can be mentioned that the FDI enterprise sector in Vietnam has continuously grown in both the number of FDI enterprises and total business capital. As of 2019, the FDI sector has 18,762 enterprises, accounting for about 2.8% of the total number of FDI enterprises. enterprises nationwide, an increase of 11.2% over the same period in 2018. Besides, the FDI enterprise sector had the highest profit-to-capital ratio in the period 2000-2019, compared to the entire business sector. industry in general. In 2019, ROA of the FDI enterprise sector was 3.7 times higher than that of non-state enterprises and 2.8 times of state-owned enterprises. However, the land finance policy for foreign direct investment enterprises in Vietnam still reveals many limitations. These limitations have been reducing the attractiveness of the investment environment in Vietnam.

Since the 2013 land law took effect and replaced the old 2003 land law, it has brought many positive effects to the performance of FDI enterprises. However, there are still some limitations in land finance policy that cause many difficulties and barriers to investment psychology of FDI enterprises in Vietnam. Therefore, in order to improve and improve the effectiveness of land finance policies for FDI enterprises in the coming time, the author proposes a number of recommendations, specifically:

Firstly, adjust the regulations on land rent and production and business premises close to the market price in each locality.

One of the emerging shortcomings in determining financial obligations when using land is that the applied land price is still too low compared to the transaction price in the market. According to current regulations, the Government promulgates the land price bracket as a basis for calculating land use tax, calculating fees and charges, calculating the value of land use rights... and this is the basis for localities to promulgate land price list applicable to each locality. However, even if the

locality applies the price bracket scenario, the applied price is still too different from the actual transaction price... This situation comes from the practice of transactions in the field of land with high prices. many new occurrences that the law has not yet adjusted in time. This situation has both caused a loss of state budget revenue, and created a loophole that creates a mechanism for asking - giving, creating favorable conditions for negativity and corruption, such as: legal regulations on cases of land allocation according to designated rather broad, indistinct; regulations on land allocation conditions for project implementation are unreasonable, non-specific... reducing the transparency of the legal environment in the eyes of FDI enterprises. Therefore, it is necessary to continue to study and change the method of determining land prices and adjust the land price bracket close to the transaction price in the market.

Secondly, adjust policies towards stabilizing land rental prices in order to stabilize investment psychology for FDI enterprises.

One of the concerns of FDI enterprises when investing is the stabilization of land rental prices, because this cost accounts for a significant proportion of the total costs of enterprises. Therefore, in order to stabilize the investment psychology for businesses, it is necessary to research and set a ceiling and control the increase in land rent after each adjustment cycle of land rental rates during the land lease period for implementing investment projects. and the State must have a strong commitment, ensuring this issue against the risk that the policy may change in the future without affecting the current land lease cases. It is possible to fix the land rental price unchanged on a 5-year cycle for cases where land is rented directly from the State. Thus, the production and business activities of enterprises will be more stable, enterprises will feel secure and have more initiative in estimating production and business costs. After 5 years, if there is a change in the policy, the land rental price should not have too large fluctuations, the adjustment level should not exceed 30% of the land rental unit price of the previous stable period (similar to the case of auction of land rights). use of leased land) and need to notify early so that enterprises can take care of the financial resources to fulfill their obligations to the State.

Thirdly, there should be practical financial support policies in addition to land financial incentives for FDI enterprises when investing in Vietnam in order to maximize the effectiveness of preferential policies, specifically:

- + Support costs for businesses to relocate to areas where investment is encouraged, such as costs for dismantling factories, equipment, and transportation and installation at new locations.

- + Support for marketing and market development costs for enterprises having investment projects in areas encouraged by the Government for investment.

- + Funds from the local budget can be used to partially support the site clearance costs for FDI enterprises investing in the areas or areas that are encouraged.

- + Partial cost support to encourage enterprises to invest in technical infrastructure of industrial zones and clusters, including costs: ground leveling, internal roads, water supply and drainage systems, and water supply and drainage systems in industrial zones and clusters.

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PROMOTING INNOVATION ACTIVITIES IN VIETNAM'S PROCESSING AND MANUFACTURING ENTERPRISES

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Abstract: *Innovation plays as an important driving force for the economic development of countries. For businesses, innovation is also the root to create competitive advantages. Thanks to innovation, businesses can adapt to changes in the business environment, especially when the companies enter the global markets. This research aims to clarify the issues of innovation in enterprises as well as present an overview of the current state of innovation in processing and manufacturing enterprises in Vietnam today. Solutions are then proposed to promote innovation in processing and manufacturing enterprises in Vietnam in the future.*

Keywords: *Innovation, creativity, processing, manufacturing.*

1. INTRODUCE

The processing and manufacturing industry has proved its importance in the process of industrialization and economic development in a number of countries. For instance: the rise of Britain in the nineteenth century, the rise of the United States, Germany, Japan in the mid-19th century and twentieth century, or the newly industrialized countries of the second half of the twentieth century and more recently China. The success of these countries in the process of industrialization and becoming high-income countries show that the manufacturing and processing industries are the path to development, and the key to creating the prosperity of each country.

The processing and manufacturing industry is considered as one of the development pillars of the whole economy. Developing processing and manufacturing industries will help countries develop sustainably in the future. The development of the processing and manufacturing industry will help the country increase production, export goods, increase GDP, and enhance economic development thanks to the growth of trade surplus. In other words, it helps countries implement the process of industrialization and modernization.

In Vietnam, the processing and manufacturing industry plays a key role in leading the growth of the economy with an increase of 5.82% in 2020. Considering the whole period of 2016 - 2020, this industry group continuously expanded and accounted for the highest proportion in industries with the contribution to GDP increasing continuously over the years (increasing from 14.27% in 2016 to 16.48% in 2019 and estimated at 16.7% in 2020). The structure and development speed of the industry is increasing, in line with Vietnam's industrialization orientation. In addition, the industry also created jobs for more than 7.1 million people, accounting for 50% of the labor force currently working at the enterprise (GSO, 2019).

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Although Vietnam's processing and manufacturing industry has achieved the above-mentioned encouraging achievements, in fact we still only undertake simple jobs, mainly using low-skilled labor. Hence, profits are not high, and heavily dependent on outsiders. Regarding other manufacturing performance indicators, especially labor productivity, Vietnam lags behind comparative countries by a narrow gap. Compared to middle-income countries in the region such as China, Indonesia and Malaysia, the gap is large, or even very large when compared to industrial countries like Japan and Korea.

While the fourth industrial revolution accelerates and risks the loss of simple and repetitive skilled jobs to automation in the manufacturing industry, the majority of Vietnam's manufacturing and processing industry enterprises have a low level of readiness for the 4th Industrial Revolution. The main factors contributing to increasing labor productivity and readiness for the industrial revolution 4.0 include: Enterprise size, capital concentration, labor skills and geographical concentration of industries. However, innovation activities of enterprises in the processing and manufacturing industry have not yet made a breakthrough, technology is still at an average level, leading to total factor productivity (TFP) of enterprises still not achieved as expected. Therefore, it is necessary to have solutions to promote innovative activities of enterprises in the processing and manufacturing industry in the coming time.

2. RESEARCH OVERVIEW AND METHODS

The notion of innovation has caught increasing attention of scholars, researchers, and policy makers. Research by Maradana et al (2017) identifies technological innovation as an important factor for national economic growth. Kannebley et al. (2008), Crepon et al. (1998), technological innovation has a positive impact on business sector outcomes. In addition, a number of other forms of innovation such as organizational innovation, product innovation increases the values of enterprise (Artz et al. 2010; Goedhuys and Veugeler, 2012; Griffith et al., 2010, 2006; Kim, 2018). Additionally, innovation is considered a decisive factor for the existence and development of enterprises (Zahra and Covin, 1994). Moreover, innovation plays an important role in creating value and maintaining competitive advantage (Porter, 1996). Reichstein and Salter (2006) research on process innovation in manufacturing firms in the United Kingdom. In Vietnam, there are a number of studies on innovation subjects. Phung Xuan Nha, Le Quan (2015) shed light on the current state of innovation in Vietnamese enterprises in terms of awareness and culture of innovation, innovation results, innovation forms, and human resource capacity for innovation. Some research works of the Institute of Science and Technology Strategy and Policy have also mentioned the innovation aspect (Nguyen Viet Hoa, 2008; Nguyen Viet Hoa, 2011; Tran Ngoc Ca, Nguyen Vo Hung, 2012); as well as innovation at the enterprise level (Bach Tan Sinh, 2010).

This research used a combination of several research methods such as: (i) Secondary data collection method: collect secondary data from sources such as: books, newspaper; statistical yearbook; specialized magazines; proceedings of scientific conferences; reports of relevant

research organizations, ministries and branches; (ii) Methods of analysis and evaluation: Descriptive analysis is used to evaluate the innovation status of enterprises in the processing and manufacturing industries in Vietnam; (iii) Synthetic method: Used to synthesize opinions and assessments of researchers and managers in the field of processing and manufacturing industries from the Ministry of Planning and Investment, the Institute of Research and Development central economic management, the Ministry of Industry and Trade, the Ministry of Science and Technology and a number of Vietnamese enterprises on innovation.

3. RESEARCH RESULTS

The dynamic and innovation-based business sector is a decisive factor for the success of innovation ecosystems in the world in general and in Vietnam in particular. On the contrary, innovation is also a decisive factor to help businesses increase productivity, business performance and sustainable development. According to the General Statistics Office, the rate of investment in research and development activities to serve innovation in Vietnamese enterprises has increased, but only reached the threshold of 1% of total revenue, while the average level in developed countries in ASEAN (Singapore, Thailand, Malaysia) is at least 9% of total revenue. VERP's survey shows that only about 20-30% of enterprises have policies related to innovation development. These are businesses that are starting to pay attention to innovation but not comprehensively, mainly investing in human resources. Two types of innovation that businesses often pay attention to and implement mainly are product innovation and process innovation.

Regarding geographic location, innovation activities in processing and manufacturing industry enterprises take place evenly throughout all regions of the country. Among regions, three regions: North Central, Red River Delta and South Central Coast - Central Highlands have the highest proportion of innovation enterprises, higher than the national average. The remaining three regions, the Mekong River Delta, the Southeast and the Northern Mountains, have a lower proportion of innovative enterprises than the general average and in which, the lowest is in the Northern Mountains. The experimental statistical survey on innovation in enterprises within the framework of the FIRST-NASATI subproject shows an overview of the innovation activities of Vietnamese enterprises in the processing and manufacturing sector: Out of a total of 7,641 enterprises surveyed, there are 4,709 innovative enterprises (accounting for 61.63%), 2,841 enterprises without innovation (37.18%). and 91 (1.19%) enterprises did not identify themselves as truly innovative enterprises (Figure 1).

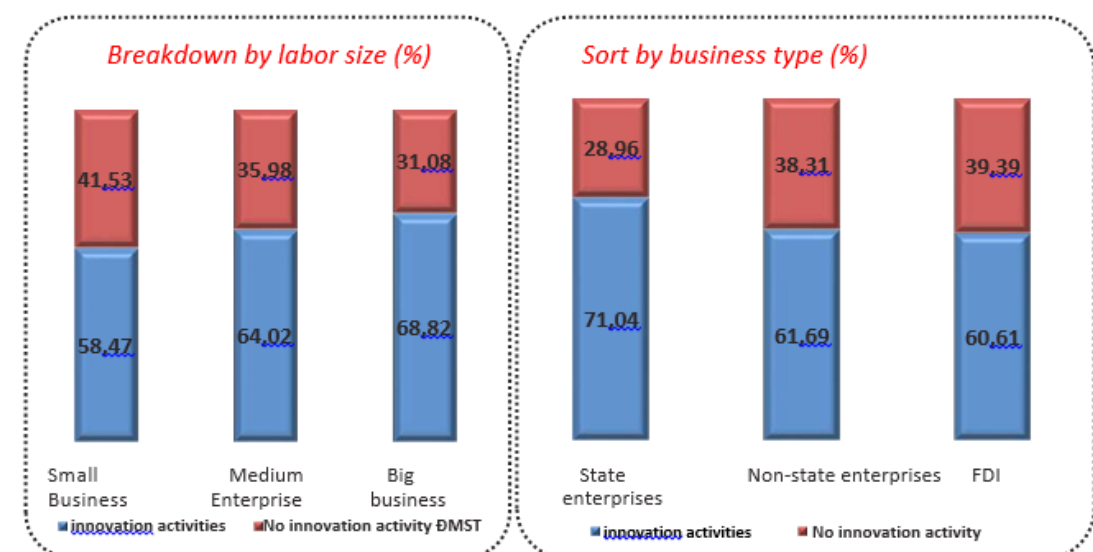


Figure 1: Innovation activities in processing and manufacturing enterprises.

Source: First-Nasati project

In Ho Chi Minh City, the current level of innovation in enterprises is still not high. The percentage of enterprises in the city that have deployed it is only about 26% in the 2016-2018 period (City Statistics Office, 2017, 2018, 2019). The number of enterprises in the whole processing and manufacturing industry is 2,317 enterprises in which enterprises with innovation are 650 enterprises, accounting for 28.1% (Table 1).

Table 1: Innovation activities of processing and manufacturing enterprises in Ho Chi Minh City

Enterprise size	The entire processing and manufacturing industry		
	Total	Innovation	No innovation
Micro business	301	236	65
Small Business	1.446	1.050	396
Medium Enterprise	188	133	55
Big business	382	248	134
Total	2.317	1.667	650

Source: Lê Thị Thùy Dung, 2020

Along with that, the number of micro enterprises is 301 enterprises, accounting for approximately 13% of the total number of enterprises in the whole industry, of which 65 are innovative enterprises. Small scale accounts for 62.4% with the number of innovative enterprises being 396. Medium-sized accounted for 8.1% with 55 innovative enterprises. The rest are large-scale enterprises of 382, accounting for 16.5% and the number of innovative enterprises is 134. The proportion of innovative enterprises increases gradually with scale, large-scale is still the enterprise with the highest innovation rate, reaching 35.1%.

Table 2: Creative innovation activities of businesses in the processing industry*Unit: %*

Innovation activities	General businesses	Percentage (%) of small businesses	Medium Enterprise	Big business
Product innovation	32,1	29,0	38,2	37,6
Technological process innovation	39,9	34,5	43,2	52,6
Organizational and management innovation	37,7	34,2	41,8	45,0
Marketing innovation	28,6	28,1	30,6	29,2
Product innovation and/or technological process innovation	49,0	43,8	54,0	60,2
Creative innovation	61,6	58,5	64,0	68,8

Source: Author's calculations from the First-Nasati projec

Table 2 shows the current situation of the proportion of enterprises with the main types of innovation such as: Product innovation, process innovation, marketing innovation, organizational and management innovation.... The overall rate of enterprises having innovation is 61.6%. "Product innovation and/or process innovation" accounted for the largest scale (49.0%). Among the four main types of innovation, the percentage of enterprises having process innovation is the highest (39.9%); the percentage of enterprises having market innovation is the lowest (28.6%).

Regarding product innovation, among the 7,641 enterprises surveyed, the proportion of enterprises having product innovation is 32.08% (2,451 enterprises). Thus, 67.92% of enterprises (2,258 enterprises) do not have product innovation, which they cannot bring to the market new products (goods or services) or products that are improved in terms of technology technical side. Of the 4,709 enterprises with innovation, more than half (52.05%) of enterprises have product innovation, the remaining 2,258 enterprises (47.95%) do not have product innovation but have other innovation activities, such as technological process innovation, marketing innovation, or organizational and management innovation. The results of product innovation activities can be: (i) Having new products at the enterprise scale (lowest new level); (ii) Having products that are new to your market (ie bringing new products to market before competitors); and (iii) Have products reach new levels with the world. According to survey data in 2,451 enterprises with product innovation, 792 enterprises (32.4%) have products reaching new levels with their market, the remaining 1,659 enterprises (67.8%) have products that are new to their market. products reach new levels at the enterprise scale. The industry group with the largest number of enterprises innovating products is the manufacturing of motor vehicles, machinery, equipment, electronic products, computers...; The second most innovative product group is the manufacturing of chemical products, drugs, pharmaceutical chemicals, rubber and plastic products...; and the third most innovative product group are tobacco manufacturing, food processing, textiles, etc.

Regarding process innovation: The vast majority of enterprises choose the method of "Investing in new technology associated with goods, machinery and equipment" and/or "Upgrading/modifying

technology and equipment” present” is the main means of technological process innovation. In addition, there are 03 methods selected by a few enterprises (5 - 7%) to innovate technology, including: (i) Technological innovation “Through signing new labor contracts with skilled people and experience” (7.3%); (ii) Technological innovation “Using technology and equipment provided by companies outside the parent company” (7.5%); and (iii) Technological innovation “Using technology and equipment provided by other companies in the parent company” (5.2%). It is noteworthy that only very few enterprises (0.3%) choose to transfer technology from public science and technology institutions (including universities) and, slightly higher, but also very few. enterprises (0.6%) choose to transfer technology from non-public S&C organizations. According to the World Bank survey on innovation of Vietnamese enterprises (Process innovation) is in the middle position in terms of the percentage of companies that declare that they have recently improved their processes (Figure 2).

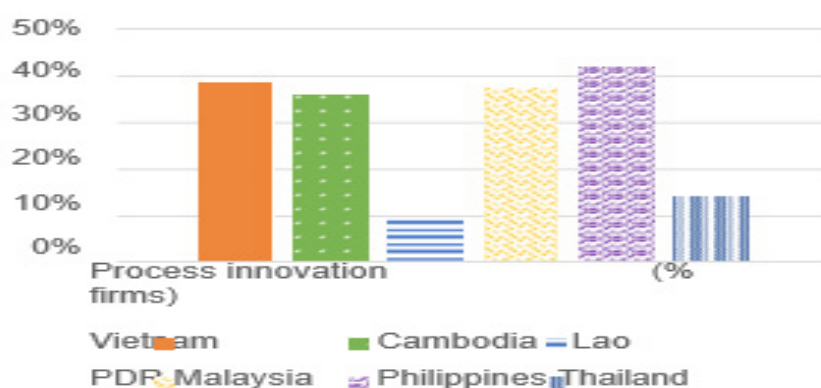


Figure 2: Process innovation of Vietnamese enterprises

Source: World Bank (2018)

Regarding the level of organizational and management innovation: The percentage of enterprises that innovated the organization and management in enterprises was 37.7%. The percentage of enterprises renovating their organization and management is proportional to their labor size. Organizational and management innovation activities are considered essential to business development of enterprises. Enterprises highly appreciate the important role of innovation in organization and management for production and business activities of enterprises. Nearly all enterprises (98%) rate organizational and management innovation as important for the goal of “Improving the quality of goods and services”; The vast majority of enterprises (92%) consider organizational and management innovation important for: “Improving the ability to develop new products or processes”, “Reducing costs per output”; “The majority of enterprises (81%-90%) consider organizational and management innovation important to “Reduce the response time of customers and material suppliers...”, “Improve the exchange or sharing of information within the enterprise or with other businesses or organizations”.

In term of marketing innovation: Businesses have not really paid much attention to marketing innovation activities. The proportion of enterprises with marketing innovation in enterprises with votes was 28.6%. In fact, businesses appreciate the role of marketing innovation for business development goals. The vast majority (96% - 97%) of businesses

consider marketing innovation to be important for the goals of "Introducing products to new customer groups" and "Continuing to maintain market share". The vast majority (88%) of businesses consider marketing innovation important to "Introduce products to new geographic areas" and "Reduce cost per output"; and the majority (81%) of businesses think that marketing innovation is important to "Improve the exchange or sharing of information within the business or with other businesses or organizations".

Currently, regarding investment activities for innovation, most processing and manufacturing enterprises in Vietnam only stop at trying to occupy the "top" instead of investing in the "root". A very large percentage of enterprises invest in process innovation through "Investment in new technologies associated with goods, machinery and equipment" (39.4%) or through "Upgrading/modify existing technology and equipment" (39.3%), while technology transfer from public science and technology organizations and other non-public organizations are all below 0.3 % and 0.6%. This shows that businesses only buy technology and apply little innovation and research. The percentage of enterprises receiving technical advice or performing scientific and technological tasks is only 3% to 6%. This is clearly shown in the average structure of expenditures for innovation services of enterprises in the processing and manufacturing industries, which also leans mainly on procurement of technology, machinery and equipment. (65.5%), while the acquisition of research and development results from other organizations only accounted for 0.8%, and the purchase of distribution rights, copyrights and patents also accounted for only 3.4%. According to researches, the larger the group of enterprises with the labor size, the higher the percentage of innovative enterprises. The percentage of innovative enterprises belonging to the group of state-owned enterprises is the highest, followed by foreign-invested enterprises and finally non-state enterprises. The higher the percentage of employees with college or university degrees or higher, the higher the percentage of innovative enterprises.

Another important feature in innovation of Vietnamese processing and manufacturing enterprises is that Vietnamese enterprises have very little cooperation and association in innovation, with an average of only 17.2 % of enterprises cooperating in innovation. Nearly half of the surveyed enterprises do not have a human resource policy for innovation and a financial investment policy for innovation; nearly 80% do not have a policy on cooperation and partner development for innovation. On the other hand, most of them have little interest or do not have the right method to identify innovation ability when recruiting and attracting external resources for that process. The proportion of enterprises with research and development departments is still quite modest.

Besides, the number of enterprises with innovative activities is still small compared to that of other countries in the region. The reason lies in the fact that innovation is still quite new in Vietnam as well as the lack of awareness of enterprises about innovation. The previous studies also show that there are five main reasons that can hinder enterprises from doing innovation: (i) The expected innovation activities are not profitable as expected; (ii) Not knowing about technological innovation activities suitable to the business field of the enterprise; (iii) The cost of technological innovation is too high; (iv) Lack of qualified human resources to participate in and implement technological innovation activities; and (v) Lack of really attractive incentives and support from the State's policies and laws.

4. SOME SOLUTIONS AND SUGGESTIONS

Improving innovation capacity for businesses is the fastest and most important way to improve productivity, business performance of enterprises in the context of international integration, industrial revolution 4.0 and challenges of climate change. For Vietnam, improving innovation capacity is a key solution to improve labor productivity and promote economic growth in general and the manufacturing industry in particular.

First, improve the institutional environment to promote innovation. A strong institutional environment will help maintain stability and reduce risks and costs associated with investment and innovation. The improvement of the institutional environment should proceed towards: (i) Establishing and maintaining healthy macroeconomic conditions, including public finance sustainability and low inflation; (ii) Reduced administrative burdens, non-transparent payments, weak auditing and reporting standards, complexity of the legal system, more transparency in the governance of SOEs; (iii) Resolve bureaucratic barriers to business registration, strengthen investor protection, improve the quality of human resources, and improve the quality of public services; (iv) Continue to improve enforcement of intellectual property rights, create a stronger deterrent to infringement, and increase transparency in the relationship between administrative and enforcement agencies. In policy creation and implementation, it is necessary to pay more attention to small and medium-sized enterprises so that these enterprises can innovate more, expand their scale and further increase the proportion of revenue from innovation products and process innovation.

Secondly, it is necessary to have policies to support enterprises in developing innovative human resources. The survey results show that the lack of qualified human resources to be able to participate in and carry out technological innovation activities is one of the main reasons for limiting the innovation of enterprises. It is necessary to develop policies to help businesses improve capacity such as: Strengthening cooperation with universities and research institutes in implementing innovation projects, considering the level and effectiveness of university cooperation. and research institutes with enterprises as one of the criteria for evaluating, classifying and ranking science and technology organizations; strengthen technical consulting activities for enterprises; Send students and interns to practice at suitable enterprises; there are incentives for engineers and researchers to transfer jobs to enterprises; implementing public-private cooperation programs on research and development to utilize resources as well as strengthen cooperation between businesses and science and technology organizations.

Third, pay attention to promotion of innovation activities to raise awareness of enterprises about innovation. It is necessary to provides businesses with detailed and necessary information on innovation, as well as the achievements of enterprises in innovation. There should be a focal organization to collect and synthesize information on innovation activities of enterprises. Through the service of this focal organization, enterprises can obtain information related to innovation, to the scale and extent of innovation activities so that they can make innovative development orientations. its production and business. Create favorable conditions and environment for healthy competition in production and business so as to encourage enterprises to promote innovation activities to improve the technological level of enterprises.

Fourth, there should be specific policies to support product innovation, especially for new products, and new technological processes. The most important feature of new products that small and medium enterprises in Vietnam want to introduce is to improve its quality, like other countries, namely Laos, Cambodia, Malaysia, Philippines, Thailand. However, product innovation in Vietnam currently focuses more on cutting product costs, but less on research to get completely new product features. It is necessary to support enterprises to identify and design their scientific and technological tasks, and the State needs to further innovate channels and forms of support for research and development of enterprises. Similarly, the Government should have more detail orientations so that science and technology programs are more enterprise-oriented, taking the development of production and business activities of enterprises as the central goal of the science and technology program.

Fifth, support and encourage innovation culture in enterprises to create an enthusiastic creative environment, respect intellectual property rights to create unique products of each enterprise. It is necessary to promote the development of a culture of innovation in a healthy competitive environment. The State and society should have the right awareness and appreciation of the innovation activities of enterprises; adopt appropriate policies to promote the spread and development of a culture of innovation. Also, there is a need to investigate further to improve credit policies for businesses in order to support enterprises in technological innovation more effectively. Moreover, the State should have some orientations to focus on improving the level of technology capabilities of enterprises, especially in prioritized industries.

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THE IMPACT OF FOREIGN DIRECT INVESTMENT (FDI) ON VIETNAM'S PARTICIPATION IN THE GLOBAL VALUE CHAIN

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Abstract: *Global value chains (GVCs) are becoming more and more popular and they have been a matter of national concern since the past two decades. The impact of the Covid-19 pandemic has created new awareness, new consumption trends, new business models, and market opportunities to form new value chains. In the context that the domestic and international economy still contains many unpredictable fluctuations, the promotion of sustainable value chain development is being considered as one of the decisive factors to recover and create a breakthrough for the business sector in particular and the country's economic growth in general in which, FDI enterprises play an important role, performing the pioneering task and connecting mainly with the global value chain. This article examines the impact of FDI on Vietnam's participation in global value chains and current issues.*

Keywords: *global value chains, FDI, free trade, comparative advantage*

1. INTRODUCTION

Vietnam has a number of strengths in attracting FDI, which foreign investors are very interested in. First of all, a stable political and security situation is an important condition for deciding to lay the foundation for long-term investment activities in Vietnam. Moreover, Vietnam has a favorable geographical position to trade with the world, both as a connection center of region and as a gateway to enter economies in the Western region of the Indochina peninsula. Vietnam also possesses an abundant and qualified workforce with very competitive labor costs. In addition, participating in many free trade agreements is a good opportunity to connect Vietnam with regional and global market. Vietnam's institutions, laws and transparency are increasingly improved in association with integration, creating conditions for investors to feel secure in long-term operation.

Vietnam's accession to the global value chain through FDI enterprises has brought significant benefits in terms of growth and employment from exports. However, FDI enterprises are still not strongly connected with the domestic private sector.

According to the Foreign Investment Agency - Ministry of Planning and Investment, as of December 20th, 2020, the whole country had 33,070 valid FDI projects with a total registered

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capital of 384 billion USD, the accumulated realized capital of FDI projects was estimated at 231.86 billion USD, equal to 60.4% of the total valid registered investment capital.

Foreign investors have invested in 19/21 sectors in the national economic sub-sector system in which, the processing and manufacturing industry accounted for the highest proportion with 226.5 billion USD, equivalent to nearly 59% of total investment capital; real estate business with nearly 60.1 billion USD (accounting for 15.6% of total investment capital); electricity production and distribution with 28.9 billion USD (accounting for 7.5% of total investment capital).

Up to now, 139 countries and territories have had valid investment projects in Vietnam. Korea ranks first with a total registered capital of over 70.6 billion USD (accounting for 18.4% of total investment capital). Japan ranks second with nearly 60.3 billion USD (accounting for 15.7% of total investment capital), followed by Singapore, Taiwan and Hong Kong respectively.

Foreign investment has been present in all 63 provinces and cities in the country, in which Ho Chi Minh City is still the leading locality in attracting FDI with USD 48.2 billion (accounting for 12.5% of total investment capital); followed by Hanoi with 35.9 billion USD (accounting for 9.3% of total investment capital); Binh Duong with nearly 35.5 billion USD (accounting for 9.2% of total investment capital).

It can be seen that the FDI sector has actively supported economic growth, creating jobs for millions of workers. The appearance of FDI enterprises is not only an important link, but also creates leverage for Vietnam to participate deeply in the global value chain, reflected in its great contributions to exports. In general, in 2020, the FDI sector had a trade surplus of 34.6 billion USD including crude oil, making up for the trade deficit of 15.6 billion USD of the domestic sector, helping the country to have a trade surplus of about 19 billion USD (Foreign Investment Department, 2020).

FDI enterprises that have been deeply involved in the chain are a good opportunity for domestic enterprises to learn about the transfer of technology knowledge, management skills, market research, and relationship establishment with major customers... Recognizing that importance, Vietnam has signed agreements with the governments of a number of countries on projects, which improve the capacity of Vietnamese small and medium enterprises to be able to participate in the global supply chain, through FDI enterprises. For example, on September 24, 2019, the United States Agency for International Development (USAID), the Government Office, Ministry of Planning and Investment launched the Accelerating reform and strengthen connectivity of small and medium enterprises (SME) project (LinkSME Project). Within the framework of this project, more than 22 million USD would be disbursed until 2023 to strengthen the business connection framework between SME and leading enterprises in the chain (Gia Huy, 2019). Thereby, FDI enterprises actively redirect their sources of supply from domestic enterprises, helping to increase the localization rate of products, at the same time, enlisting support from Vietnamese authorities in ensuring information, simplifying the access process, reducing connection fees...

On the other hand, the Government also promulgates a policy framework on the development of supporting industries in order to improve the capacity and technology of domestic suppliers to facilitate linkages with FDI enterprises, at the same time, help them to get access to foreign markets. Most recently, Resolution No. 115/NQ-CP, dated August 6, 2020, of the Government

on solutions to promote the development of supporting industries with a network of about 1,000 enterprises has capacity to supply directly to multinational corporations in the territory of Vietnam, confirming the attention and specific solutions of the State.

It can be seen that Vietnam's accession to the global value chain through FDI enterprises has brought significant benefits in terms of growth and employment from export activities. However, FDI enterprises are still not strongly connected with the domestic private sector.

Indeed, Vietnamese enterprises only focus mainly on processing and assembly stage, so the industry in general and domestic enterprises can only participate in the intermediate stage with low added value, but cannot obtain the segment at the upstream stage with high added value, such as: research and development (R&D), product design, product distribution, customer care... Moreover, many of Vietnam's high-value exports have a high import content, so the net contribution to the economy of FDI enterprises is not as high as it seems. This reflects the limited penetration of domestic SME into global value chains by becoming suppliers to FDI enterprises producing export goods. Essentially, most domestic SMEs are indirectly integrated into GVCs (rather than as a direct exporter) and produce non-core (peripheral) parts of the upstream value chain or are involved in downstream assembly. (World Bank, 2017).

The ability to connect FDI enterprises with the network of domestic enterprises is still weak for the main reasons, such as the capacity of domestic enterprises is still limited, unable to meet the high requirements of FDI enterprises to be able to participate in supply in the value chain. Leaders of domestic enterprises are still timid, afraid of risks and they lack of initiative in approaching large enterprises to connect and cooperate, therefore, they do not dare to invest in improving productivity, innovating the management system, managing production process, improving product quality. Meanwhile, when FDI enterprises determine to enter any market, they already have a specific operation plan which is even closed and can be operated immediately, and it is completely independent of having to connect with domestic businesses. However, the reality is to ignore the following benefits: simplifying administrative procedures and reducing costs for businesses, it is clear that FDI enterprises are still willing to operate according to profit target and not easily accept domestic enterprises to participate in their supply chain, if they do not meet the strict standards of leading enterprises in the chain.

It is worth noting that, although the number of enterprises as well as the total FDI investment in Vietnam is increasing, however, most of these enterprises have only joined the international production network from products with large amount of labor, such as textile, food processing, light industry, manufacturing machine components..., and they are still vacating the market space that is Vietnam's strength in modern agriculture...

2. REVIEW OF STUDIES ON THE IMPACT OF FDI IN IMPROVING THE PARTICIPATION OF COUNTRIES IN THE GVC

Foreign direct investment (FDI) has played an important role in the success of the economic system by understanding thoroughly cross-border trade and paving the way for national development. Indeed, thanks to foreign investment, a country has been increasingly involving in the international production process with a significant increase in import and export compared to the previous period. According to the classification cited by Kurtishi-Kastrati, FDI has different motives, such as market

seeking, efficiency seeking, resource seeking or strategic seeking. Therefore, international trade in a host country will depend on the type of FDI applied. This has led to the diversification of value added that a host country can achieve. As an example of FDI efficiency finding, the country tends to export goods generated by this FDI activity. Thus, the effect of such FDI seems to be an increase in exports from the host country. According to research by Jones and Kierzkowski (1990), models written by previous scholars describe how companies divide their production processes into different stages or tasks and allocate them to more favorable locations (eg: Deardorff, 2001a, 2001b; Findlay & Jones, 2001; Grossman & Rossi - Hansberg, 2008; Jones & Kierzkowski, 2000, 2001). Another study on FDI also shows that companies divide production or duties between different countries to consider the difference in international prices (Helpman, 1984; Helpman & Krugman, 1985). The reason behind most fragmentation patterns can be explained in traditional manufacturing processes, inputs are organized and combined to create the final output in the same location. When there are multiple inputs, coordination is often needed, and proximity helps reduce coordination and transportation costs. But if companies can separate production processes into different production blocks and relocate them to places with lower factor prices, the total cost of production can be even further reduced. As a result, companies will tackle their manufacturing processes, as long as the reduction in production costs will more than offset the additional costs in coordinating remote production blocks and moving these production blocks. This study demonstrates that FDI has attracted the participation of GVCs. In a study regarding GVC participation of SMEs, Kaplinsky and Readman pointed out that SMEs need to go through different processes and standards in order to participate in the GVCs, requiring high fixed costs. However, SMEs still involve in the GVCs through flexible and efficient ways such as cooperating with downstream enterprises. The authors divide SMEs in the GVC into two categories: buyer chain and producer-oriented chain (Kaplinsky and Readman, 2001). In the buyer-oriented chain, SMEs can conduct FDI with corporations or with local businesses to build trading conglomerates; in the production-oriented chain, SMEs can join industrial clusters or vertical value chains to achieve mutual cooperation and improve collective efficiency, which can effectively overcome shortcomings in size, capital, etc. With the accumulation of international experience, most of the roles of SMEs have gradually shifted from low value-added manufacturing processes (such as OEM, OEA) to high rate of return, with original design manufacturer's knowledge and high rate of return (Original Brand Manufacturer). In other words, the trend of FDI has raised the economic activities of SMEs to become more international. In another context, the study took into account that cost reductions and the need to operate in cost-competitive locations prompted transnational companies to establish production facilities in less developed countries (Asean Secretariat, 2014). In the case of Japan, Japan has invested in ASEAN for the above reasons. In addition, the attractiveness of a regional market has also been encouraging companies to expand operations and invest in the region recently. The opportunity to exploit additional location advantages and economies of scale to achieve production efficiency are further motivation and determinants of Japanese FDI in ASEAN. Overall, the role of FDI has increased due to its interest in increasing value added in a supply chain. Some studies show that the total value of inputs used to produce a given level of output can be derived by either company (internal source) or from another (outsourced). Some or all of the intermediate inputs may be obtained from the domestic economy or from abroad. According to this study, this input increases foreign direct investment (FDI) (Dahlby, 2011). Trade and investment are complementary

flows. Thus, foreign direct investment in developing countries provides an additional view of trade flows in relation to changes in the geographical structure of production. According to the 2012 report, for the first time, foreign direct investment flows into developing countries exceeded developed countries. Flow levels have fallen sharply in global (18% compared to 2011) but decreased less in developing countries, and in some regions, such as Africa and Latin America, flows even increased. It remains to be seen whether this trend will change once a large amount of divestment returns, but it is still an important change that no one could have foreseen recently, in early 21st century. It is worth noting that companies in developing countries are becoming increasingly important investors. More than a third of all cross-border mergers and acquisitions in 2012 were conducted by companies in developing countries. (Kommerskollegium, 2013).

3. THE STATUS OF VIETNAM'S PARTICIPATION IN THE GLOBAL VALUE CHAIN

In the period 2010-2020, Vietnam has achieved impressive trade growth when import-export turnover has continuously increased and trade surplus has been maintained for the past 5 years. In 2020, in the context of the pandemic, Vietnam was one of the few countries in Asia with positive trade growth and a record trade surplus in 2020 with nearly 20 billion USD. FDI into Vietnam maintained a relatively stable growth rate in the period 2010-2019.

In 2020, the Covid-19 pandemic had certain impacts on FDI flows into Vietnam, but these impacts were not too large. The reduction of total newly registered capital and realized capital was relatively low. In addition, there were still encouraging results when the total additional registered capital still increased compared to the previous year and the realized capital still increased steadily through the quarters of 2020. These results show that trade and investment will continue to be benefits that Vietnam needs to take advantage of to enhance its position in the international arena in the upcoming time.

In the period 2010-2019, Vietnam had a comparative advantage in 9/20 industry groups. However, in 2020, there were only six advantages left with six industry groups, of which one group had a high comparative advantage, which was footwear and hats; three industry groups had a moderate comparative advantage (textiles; machinery, electronic equipment; leather and leather products) and two industry groups had a low comparative advantage (wood - wood products and textile materials).

During the whole period, the picture of Vietnam's comparative advantage had some points to pay attention to:

i) Vietnam's comparative advantage with most industry groups decreased (7/9 industries had advantages), even with the only industry group that Vietnam had a high comparative advantage is shoes, sandals and hats;

ii) Vietnam was gradually losing its comparative advantage with agricultural products when there was no longer an advantage for both animal and plant products in 2020;

iii) The only industry with high comparative advantage was electronics, but the increase in comparative advantage in this industry stemmed from the presence and expansion of production, export and investment of FDI enterprises;

iv) The industries that Vietnam did not have a comparative advantage in were those related

to input materials such as plastic, rubber, mechanical machinery, metal, paper or valuable and high-tech products such as transportation equipments, optical equipments, musical instruments and medical equipments...

Vietnam's participation in GVCs tended to decrease in the period 2010-2018. In the downstream part of GVCs, the main partners providing intermediate inputs for export processing in Vietnam came mainly from Asia such as China, Japan, Korea and ASEAN countries, demonstrating that the internal nature region overwhelms the global nature of Vietnam's import structure. Meanwhile, on the upstream side of GVCs, Vietnam's intermediate input import partners for export processing were more diversified, showing a more global nature, not only targeting China, Japan, and Korea. China, ASEAN but also towards the EU, Australia and US markets.

As for participation in GVCs by sector, the domestic value added in exports of the processing and manufacturing industry was significantly lower than that of the primary sector including agriculture, mining and services. This clearly reflects the outsourcing, processing and manufacturing nature of Vietnam's industry, and also highlights the role and potential of the agricultural sector in improving Vietnam's position.

Besides, Vietnam's participation in GVCs by industry group showed a clear change in the period 2010-2018. In all three basic industry groups, processing, manufacturing and service industries were tending to increase their participation in the upstream stage in GVCs. In contrast, the GVCs downstream participation of the three industry groups showed opposite trends - the basic industry tended to increase meanwhile the remaining two sectors decreased.

3. IMPACT OF FDI ON VIETNAM'S PARTICIPATION IN GLOBAL VALUE CHAINS

After 30 years of Vietnam opening up to attract FDI, FDI enterprises have become one of the important driving forces to promote economic growth and international economic integration of Vietnam. The role of FDI is to create leverage for Vietnam to participate deeply in the GVC, especially in exports. The appearance of FDI enterprises is not only an important link but also creates leverage for Vietnam to participate deeply in the GVC, especially making great contributions to exports. According to statistics from Agency of Foreign Trade (Ministry of Industry and Trade), from 10 billion USD in 1988 when Vietnam first attracted FDI, the total export turnover of the whole country gradually increased to 50 billion USD, 100 billion USD and it was expected to be 225 billion USD in 2018. Notably, exports in the 2011-2015 period increased on average by 17.6%/year, higher than the target set in the Import-Export Strategy until 2020, with a vision to 2030, as well as the target of the 11th Party Congress (up 12%). With the growth rate always higher than the general growth rate, the FDI sector has played a decisive role in maintaining the high export growth momentum of the whole country. A memorable milestone is that in 2015, there were 23 items reaching the Top of the billion-dollar club and also the year mobile phone products rose to the top with a turnover of \$ 30.6 billion, participating in the production and distribution of global supply chain. By six years ago, the export turnover of domestic enterprises was still slightly higher than that of FDI enterprises, currently, the export turnover of foreign-invested enterprises has been three times higher than that of domestic companies. FDI enterprises currently contribute nearly 20% of total State budget revenue, 10 times higher than in 2000. Notably, over 50% of Vietnam's total industrial production value

comes from foreign-invested enterprises. Although in a short time, FDI enterprises have made great strides, the impact on domestic enterprises is very faint. It is a fact that Samsung Group currently produces 40% of smartphones in Vietnam, exports reached 50 billion USD last year, equivalent to the total export turnover of domestic enterprises. Up to now, Vietnam has signed 12 free trade agreements, bringing the economy to integrate into the GVC. However, participation in the value chain mainly relies on foreign-invested enterprises. Domestic private enterprises are mainly SMEs. In 2017, more than half a million domestic SMEs contributed nearly half of GDP, but very few enterprises participated in the GVC. With increasing investments by foreign enterprises, Vietnam is increasingly involved in the GVCs of electronics and footwear, specifically as an assembly center for electronics and as a manufacturing hub for shoes. The share of intermediate goods in trade - a proxy for participation in international production chains (IPNs) of Vietnam (31%) is significantly higher than that of Asia-Pacific in general (22%) for imports, and Vietnam is significantly lower (9%) than Asia-Pacific (18%) in terms of exports. This implies participation in the downstream (assembly) stage of production in the GVC. Intermediate goods are among the items with the largest import value (e.g. semiconductor chips, rolled products; and fabrics) while exports are mainly final goods (e.g., phones, shoes and computers). The fact that FDI enterprises have actively contributed to helping Vietnam participate more strongly in the GVCs of industries, but they also have many limitations. The most typical of which is the phenomenon of tax evasion and pricing transfer of some FDI enterprises that have not been completely eliminated for a long time. Projects that cause special environmental pollution, projects on waste technology and outdated technology still seek to penetrate into Vietnam or labor violations and disputes that directly affect workers' rights and cause damage to businesses are still a dilemma today. Moreover, the transfer and acquisition of technology from FDI enterprises has been proposed for many years, but the results are very limited, not as expected. The spillover effects of foreign enterprises to Vietnamese enterprises such as: the very limited development of supporting industries and participation in the production value chain of Vietnamese enterprises are also weaknesses that need to be overcome in the future.

4. SOLUTIONS TO PROMOTE PARTICIPATION IN GVC

In the upcoming time, Vietnam will remain an attractive destination for foreign investors. FDI is still expected to bring many benefits, including helping Vietnam continuously improve its position in the GVCs. It is also indispensable for the self-effort of the businesses of both sides in the way forward. In fact, the role of FDI enterprises in promoting Vietnam's export growth is very important. Therefore, if exploited well, FDI will become one of the pillars and foundations for Vietnam to develop better into the global supply chain. However, in the context of the country's integration, domestic enterprises must try their best, taking FDI enterprises as the driving force for development, minimizing dependence, and ensuring growth. Therefore, in addition to creating a development system, state management agencies and legal systems must improve to prevent risks of environmental impacts; Besides, it is necessary to orient capital flows and FDI activities to the set targets, thereby reducing unsustainable pressure. FDI is an achievement of the integration process, and at the same time it is a component of the economy, making an important contribution to the increase in exports. However, the problem that needs to be solved here is not limiting or reducing FDI enterprises' activities, but the Government needs a mechanism to support domestic

enterprises to develop quickly and achieve a high turnover rate in the export structure. Although the Government has taken many measures for example Promulgating the Law on supporting SMEs with many solution groups such as credit support, investment, human resource training, but still not doing well in connecting FDI enterprises and domestic enterprises. Along with that, it has not been completely implemented to require FDI enterprises when investing in Vietnam to transfer technology. These are activities that will be focused on in the coming time to improve competitiveness and increase export turnover for domestic enterprises. To overcome the shortcomings, the Government needs to create a synchronous push to strengthen the domestic business sector for connecting with FDI enterprises. On the other hand, the state management of Vietnam's FDI must continue to have comprehensive and profound innovations in investment promotion, project evaluation and investment licensing for projects, post-grant project management. However, in addition to support from the authorities, experts also recommend that domestic enterprises themselves have to innovate, find directions and solutions to improve competitiveness. This meets not only the strict requirements of foreign partners but also those in the current context of comprehensive integration to promote export growth and more sustainable development in integration.

In the context that Vietnam is increasingly participating in new-generation free trade agreements, as well as being heavily impacted by the Covid-19 pandemic, participation in the GVC is a requirement and also an opportunity for businesses to survive and develop sustainably. However, we join the value chain on the main basis of being led by multinational companies, belonging to the network of FDI enterprises, leading to a number of consequences such as the lack of stability and sustainability of the business when joining the GVC, and risk of getting caught in the middle-income trap. Therefore, besides creating favorable conditions for FDI enterprises, it is also necessary to consider the initiative in building and developing a modern industry based on the independent advantages of the country. The author proposes some specific solutions as follows:

Firstly, the Vietnamese Government needs to continue to take positive measures to improve the business environment to attract FDI. Accordingly, it is necessary to actively remove tariff barriers for FDI enterprises; incentives for FDI enterprises in the fields of Vietnam that need development investment such as: Artificial intelligence, robot, massive data, financial technology... Moreover, it is necessary to bring FDI enterprises to explore and invest in gaps in the tourism industry, high-tech agriculture... It is necessary to seize the opportunity in time, due to a year of successful combat against the Covid-19 epidemic, a number of parent companies in the GVC have turned their investments into Vietnam.

On the other hand, the Government also needs to strengthen tools to control FDI activities (declaring property values, evading taxes, avoiding taxes, spending through taxes, etc.), and at the same time, looking for and screening out FDI investors who have quality.

Secondly, there is a need for a "three sides - three tripods - three pillars" coordination mechanism, in which the State is the pedestal, FDI enterprises are the center and the nucleus, and domestic enterprises are the spreading satellites. The Government has policies to encourage attraction, but also requires FDI enterprises to build mutual relationships with other business sectors in the country with the motto of mutual growth and development; strengthen linkages with domestic enterprises, transfer knowledge and technology to Vietnamese enterprises to create an effective and sustainable business ecosystem.

When designing their own industrial zones for FDI, the Government and local authorities must also consider the connection with industrial clusters for SMEs. When attracting high-tech enterprises, we must not only pay attention to connecting FDI enterprises with domestic enterprises, but also create conditions and encourage enterprises and corporations to set up centers and expand their R&D activities with the participation of domestic engineer team.

Thirdly, it is recommended to promote training activities for SMEs nationwide, focusing on training to improve the capacity of enterprises on value chains. Enterprises also need to change their thinking, proactively and comprehensively upgrade to approach the "standard conditions" of FDI enterprises, which improves their internal industrial capacity, towards sustainability and gradually becomes "manufacturer", instead of "assembler". On the other hand, they should continue to promote creativity and flexibility to adapt to new circumstances, quickly take advantage of market opportunities; mobilize all investment resources to improve technology, improve management skills and human resources to be able to meet the requirements of FDI enterprises and participate more deeply in domestic and international value chains.

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APPLICATION OF CAPITAL ADEQUACY STANDARDS OF BASEL II AT MILITARY JOINT STOCK COMMERCIAL BANK

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Abstract: *This paper is conducted for examining of capital adequacy standards according to Basel II of commercial banks, the reality of applying capital adequacy standards according to Basel II at Military Commercial Joint Stock Bank. Research results show that the application of capital adequacy standards according to Basel II at MB still faces many difficulties in terms of pressure to increase equity capital, risk management policies, and quality of human resources. The study proposes some solutions to successfully apply Basel II capital adequacy standards at Military Commercial Joint Stock Bank, which emphasizes the role of increasing equity capital and improving asset quality and improve the risk management policy.*

Key word: *Basel II, equity capital, capital adequacy.*

1. INTRODUCTION

Since the 2008 crisis, after facing a series of risks causing damage to the system, commercial banks around the world have focused on risk management. Vietnamese commercial banks are also not out of that trend, the approach to risk management standards under the Basel II has been put on the roadmap by the State Bank of Vietnam under the project “Restructuring the system of credit institutions for the period 2011-2015”.

MB was selected as one of ten banks to pilot capital and risk management under the Basel II Accord. During the implementation of Basel II, although in terms of capital size, MB always met the requirements. However, in the process of implementing Basel II at MB, there are still many limitations, especially in meeting the standards of capital adequacy according to Basel II: the size of own capital has not met the requirements, lack of experience in the organization. Capital management and human resources for the implementation of Basel II have not met the actual requirements.

2. THEORETICAL FRAMEWORK

2.1. Equity of commercial banks

According to the Basel II, the equity capital of commercial banks includes Tier 1 capital, Tier 2 capital and Tier 3 capital. In which:

- Tier 1 capital (core capital) is high-quality capital, which includes the book capital of stock, accrued non-recurring preferred shares, and accumulated after-tax reserves.

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- Tier 2 capital (additional capital) is capital of a lower quality than Tier 1 capital, including funds associated with variable conditions such as general loan loss reserves, long-term debt and preferred shares accrue or redistribute.

- Tier 3 capital (intended to expand the capital definition) includes short-term liabilities used to offset market risk.

- Limits in calculation:

+ Total Tier 2 capital does not exceed 100% of Tier 1 capital;

+ Tier 3 capital does not exceed 250% of Tier 1 capital used to hedge against market risks;

+ The maximum secondary debt is equal to 50% of the value of tier 1 capital;

+ General provision/provision for general loan loss is limited to 1.25% of total risky assets;

+ The revaluation reserve applies to potential growth in unrealized securities, discounted at 55%.

- Deductions from equity:

+ Deductions from Tier 1 capital include: goodwill and additional increases in equity from securitization.

+ Deduct 50% from Tier 1 capital and 50% from Tier 2 capital including: investments in banks and dependent financial companies; investments in capital of banks and other financial institutions; insignificant investments in other financial institutions.

2.2. Capital adequacy ratio (CAR)

$$\text{CAR} = \frac{C}{\text{RWA} + 12.5(K_{\text{OR}} + K_{\text{MR}})} \times 100\%$$

With:

CAR: Capital adequacy ratio.

C: Own capital.

RWA: Total assets based on credit risk.

KOR: Capital required for operational risk.

KMR: Capital required for market risk.

The recommended CAR is different according to the Basel II and Basel III Accords. As follows:

Table 1. Equity ratio on risky assets according to Basel II, III

Minimum capital requirement	Basel II	Basel III
Capital to RWA ratio	8%	11.5%
Ratio of stock to RWA	2%	4.5% - 7%
Tier 1 capital to RWA ratio	4%	6%
Ratio of core tier 1 capital on RWA	2%	5%

(Source: Basel II, III Accords)

Basel II also provides methods for determining the types of risks associated with the CAR formula:

a. Credit risk measurement methods:

- Standardization method:

Risky assets (RWA) are applied with different risk coefficients prescribed by credit rating agencies. This method measures credit risk like Basel I but at a more risk-sensitive level because it uses credit ratings provided by independent rating agencies or internal credit ratings as a factor when calculating regulatory assets. The Committee allows banks to choose between two methods of calculating capital requirements for hedging against credit risks: using an assessment by an independent credit organization or using an internal credit assessment.

- Methods based on basic internal rating system

Risk assets are calculated based on internal data on probability of default and estimated loss.

- Method based on advanced internal assessment system:

Assets at risk are calculated from internal data, but the calculation is more complicated. The method is one of the most innovative elements of Basel II, it allows commercial banks themselves to decide and estimate the components of their capital needs calculation formula. From there, the risk factor or capital ratio is determined through a combination of quantitative inputs for both commercial banks and supervisory authorities, and risk functions prescribed by the Basel Committee. Commercial banks will use the internal database system to assess credit risk, thereby determining CAR.

b. Methods of measuring market risk:

Market risk is the risk of a loss in a trading position when prices fluctuate wildly. Normally, market risk will be associated with 4 basic types of risk on book transactions, namely interest rate risk, capital position risk, exchange rate risk and commodity risk. Own capital includes Tier 1 and Tier 2 capital, but Basel II regulations when assessing market risks allow banks to add Tier 3 capital. Accordingly, commercial banks only use Tier 3 capital to deal with market risk, credit risk and operational risk are considered within the equity capital of commercial banks. Tier 3 capital is limited to 250% of Tier 1 capital used to hedge against market risks. If there is Tier 2 capital to ensure market risk, Tier 3 capital is also governed by the limit of 250% of Tier 2 capital.

- Standard method (SA): the capital requirement to deal with market risk according to this method will be considered for each risk factor including: interest rate risk, capital position risk, exchange rate and commodity risk.

- Internal modeling method (IMA): commercial banks that want to use this method must have the consent of the supervisory authority. The minimum conditions that each commercial bank must meet is that there is a risk management system that is consistent in opinion and honestly applied and has a sufficient number of specialists skilled in the use of complex models.

c. Methods of measuring operational risk:

- Basic index method (BIA): commercial banks using this method need to maintain a capital level to cope with operational risk equal to the average annual gross profit of the previous 3 years at the rate fixed percentage on positive annual gross profit.

- Advanced measurement method (AMA): This method is by far the most advanced method for determining operational risk capital requirements. Accordingly, capital requirements are

calculated based on the basic internal operational risk measurement system of commercial banks, using quantitative and qualitative criteria. This system not only statistics the actual damage data inside and outside but also analyzes the situation and factors related to the business environment as well as the internal control environment of commercial banks.

3. RESEARCH METHODOLOGY

Data collection: Data were collected mainly from annual reports of Military Bank (MB) for the financial years ended 2015 to 2020. Some management accounting reports of MB are also collected for having full data of loans, non performing loans, exchange rate; risks and others relating to the topic research.

Based on the data collected, we use analytical procedures including comparison, evaluation, judgments relating to the topic research. For more illustration, we use crosstab data and figures for showing more the issue.

4. RESULTS AND DISCUSSIONS

4.1. Size of equity capital

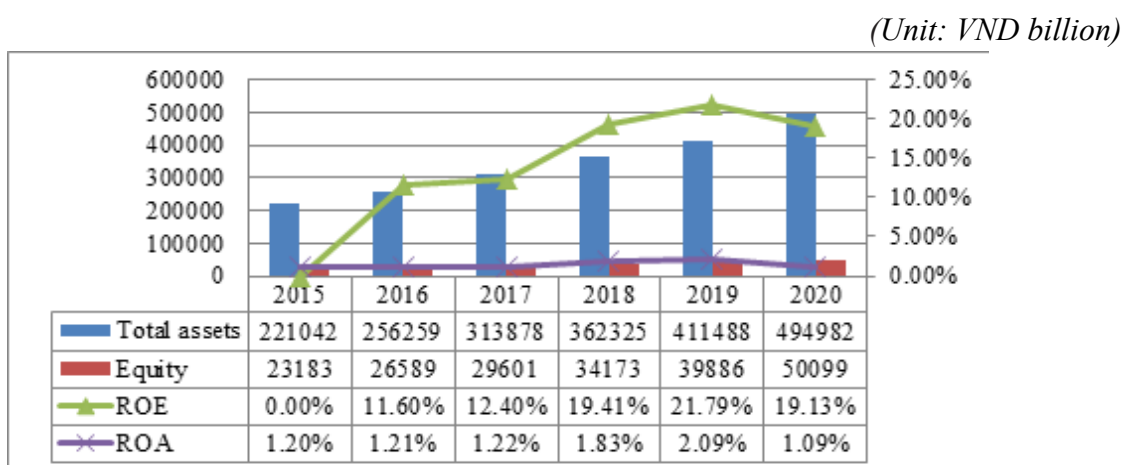


Figure 1. Equity size of MB

(Source: MB annual report 2015-2020)

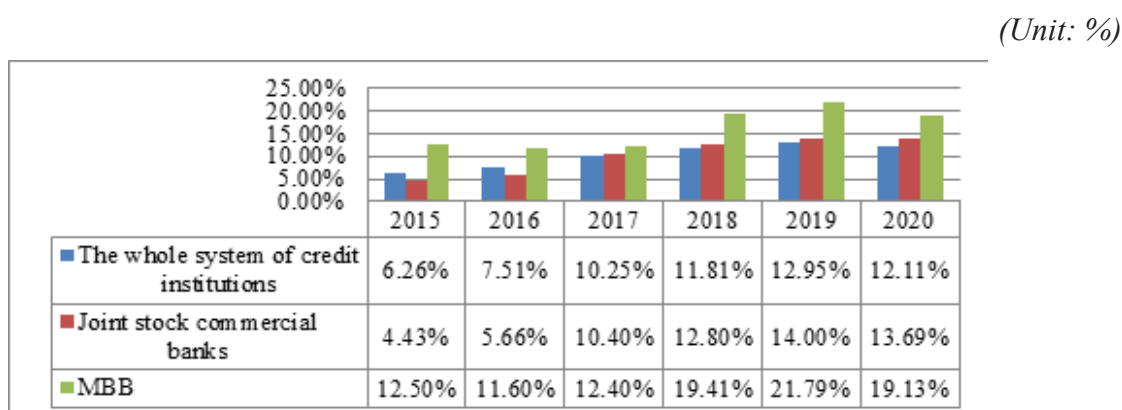


Figure 2. ROE of MB and other credit institutions

(Source: Statistical report of the State Bank of Vietnam 2015-2020)

The period 2015-2020 has witnessed a strong acceleration in the scale of MB's total assets. MB's total assets increased by 124% during this period from VND221,042 billion in 2015 to VND494,982 billion in 2020. This strong growth was largely attributed to the growth rate of equity. In the period 2015-2020, MB's equity has increased by 116% from 23,183 billion VND in 2015 to 50,099 billion VND in 2020.

Regarding the efficiency of using own capital, figure 1 and 2 show that MB is one of the commercial banks with the highest profitability on equity in the whole system of credit institutions. In 2020, ROE of the whole system of credit institutions reached only 12.11%, but MB's ROE nearly doubled to 19.13%. MB's own ROE also tended to increase during the studied period. ROE in 2015 was only 12.5%, but by 2020 it has increased to 19.13%.

4.2. Capital adequacy ratio

Table 2. CAR regulations of the State Bank of Vietnam

Regulations	Year of issue	Year of implementation	Content about CAR
Decision No. 457/2005/QĐ-NHNN	19/4/2005	06/5/2005	- CAR \geq 8%
Circular No. 13/2010/TT-NHNN	20/5/2010	01/10/2010	- CAR \geq 9% - Risky asset classes 0%, 20%, 50%, 100%, 150%, 250%
Circular No. 36/2014/TT-NHNN	20/11/2014	01/2/2015	- CAR \geq 9% - Risky asset classes 0%, 20%, 50%, 100%, 150%
Circular No. 06/2016/TT-NHNN	27/5/2016	01/6/2016	- CAR \geq 9% - Risk factor in real estate increased from 150% to 200%
Circular No. 41/2016/TT-NHNN	30/12/2016	01/01/2020	- CAR \geq 8%

(Source: Decision No. 457, Circular No. 13, 36, 06, 41)

One of the three important pillars of Basel II is the level of capital adequacy of the bank through the CAR coefficient. Management agencies of the commercial banking system in the world in general and in Vietnam in particular always consider CAR as an important criterion that commercial banks must meet to ensure the safety of business operations.

In fact, in Vietnam, the State Bank of Vietnam has also specified the requirements for the level of capital requirements of commercial banks through regulations at different periods as listed in the table above.

Thus, until Circular No. 41/2016/TT-NHNN, the SBV standardized the CAR according to Basel II. MB is one of 10 banks selected by the SBV to pilot Basel II since 2014 including Vietcombank, VietinBank, BIDV, MBBank, Sacombank, Techcombank, ACB, VPBank, VIB and Maritime Bank.

(Unit: %)

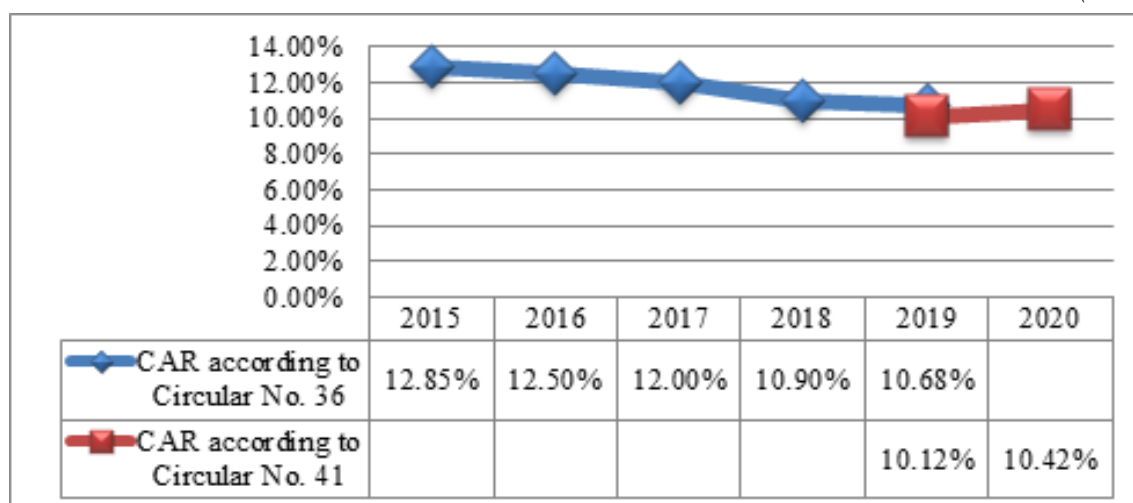


Figure 3. CAR of MB in the period 2015-2020

(Source: MB annual report 2015-2020)

Figure 3 shows that, although MB's CAR decreased slightly during the research period from 12.85% in 2015 to 10.68% in 2019, it still satisfied the regulations of the State Bank ($\geq 9\%$). In 2019, when MB was approved by the State Bank to successfully implement Basel II, MB's CAR calculated according to Circular No. 41/2016/TT-NHNN was 10.12%, still much larger than the minimum 8% regulation of the SBV. The CAR ratio in 2020 remains stable and is always higher than the SBV's requirement.

Although the level of capital responsiveness according to Circular No. 41/2016/TT-NHNN has always been well maintained by MB, like the commercial banks implementing Basel II in Vietnam, MB has not conducted capital allocation for each business area. The level of capital response in MB is only calculated for the whole system.

MB mainly raises capital through paying dividends by issuing shares every year. In the documents of the annual general meeting of shareholders, MB has stated the need and plan to use the additional capital. However, MB has not presented the level of economic capital and the corresponding size of total risky assets.

5. SOLUTIONS AND CONCLUSION

Increase equity capital to meet Basel II Accord

- Raise capital from inside sources:

Minimize the payment of dividends in cash or use after-tax profits to buy back treasury shares. In the first phase of Basel II implementation, it is possible to pay all dividends in shares or retain all after-tax profits without paying cash dividends. Banks must have solutions to save interest expenses as well as non-interest expenses, transform income structure towards gradually reducing interest income and increasing revenue from services. From there, it will reduce operating costs, increase income from high-margin services, resulting in an increase in the bank's profit. High profit will increase the room for the bank to increase capital sustainably in the medium and long term.

- Raising capital from outside:

MB needs to continue to plan to raise capital from existing shareholders, new shareholders at home and abroad through the form of additional shares. However, in order to raise capital successfully and effectively through the plan of issuing new shares, Vietnam's stock market needs to really develop, in the medium and long-term uptrend. The plan to increase capital through banking M&A can also be taken into account by MB during the implementation of Basel II. MB can consider domestic and foreign commercial banks with sufficient capacity, in line with the bank's business goals and strategies to carry out M&A activities, especially in the early stages of Basel II implementation.

Improve asset quality

In case of difficulties in raising capital, MB may consider a solution to increase the CAR coefficient to meet Basel II by reducing the value of the denominator in the formula for calculating the CAR ratio. This means that the bank can restructure its asset portfolio in the direction of selecting the most appropriate and effective assets in terms of the degree of risk assets and the corresponding capital level must be commensurate with the return on investment.

Improve risk management policy

Risk management policy should be concretized in specific regulations, periodic reports and annual reports of the bank. In each document regulating risk management, it is necessary to clearly show the views and attitudes of the Board of Directors and the Board of Management on risk management activities and do well in education and communication to raise awareness in risk management.

Risk management policies are closely linked to market factors, while market factors change from day to day. Therefore, risk management policies need to be developed and calculated on the basis of market factors and the volatility of these factors. There should be a mechanism and department to evaluate the effectiveness of risk management policies when market factors change so that risk management policies can be adjusted to suit the market. It is necessary to ensure the independence of the Market Risk Management Department in appraising risk management policies before submitting them to the ALCO Council, the Board of Management and the Board of Directors.

This study allows us to conclude that MB should focus on increasing equity capital, improving asset quality and improving risk management policy to applying successfully capital adequacy standards of Basel II.

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IMPROVE THE ROLE OF THE STATE IN THE ECONOMIC MANAGEMENT OF THE STATE IN THE CURRENT CONTEXT

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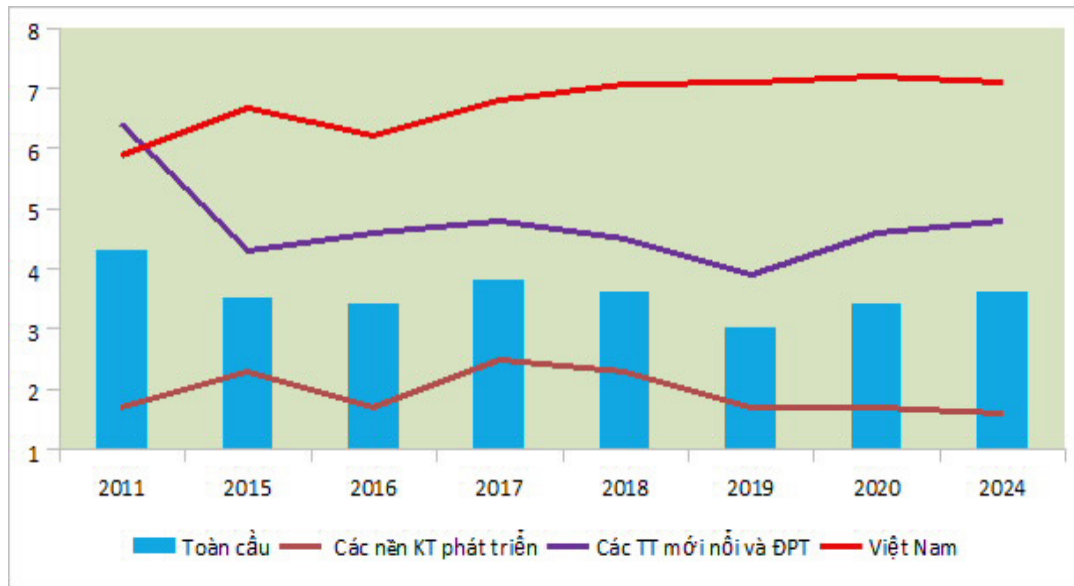
Abstract: *The practice of 35 years of innovation has proven that the important role of the state in promoting the socialist-oriented market economy has continued to develop. The facts of more stable and firm macro-economy, guaranteed economic balances, relatively high level of economic growth rate, increased economy's scale and potentials and improved quality of growth have been undeniable. Market economy is inevitable in the development process of society. The market economy in Vietnam is a market economy developed in the direction of socialism, complying with the objective laws of the market economy, and at the same time, attaching economic development goals to social and human development goals. Therefore, the economic management role of the State has become even more important. In the new context, with the strong impact of the Industrial Revolution 4.0, especially the unpredictable fluctuations of the world economy and politics after the Covid-19 pandemic, economic development has been facing great opportunities as well as challenges. Therefore, this paper discuss the urgent requirement of improving the efficiency and effectiveness of economic management.*

Keywords: *market economy, state, Industrial Revolution 4.0, covid-19.*

1. MANAGEMENT OF THE SOCIALIST-ORIENTED MARKET

The socialist-oriented market economy has achieved a great deal of important socio-political achievements, bringing Vietnam out of the group of low income countries and maintaining social and political stability. Economic management mechanisms and policies have been increasingly improved and adjusted to suit the new situation... Vietnam's economic growth rate has been maintained at a high level, increasing from 4.45%/year on average in the period 1986 - 1990 to 8.19%/year in the period 1991 - 1995. In the later periods, the economic growth rate, although slowed down, was still at a good level in the context of the economy facing continuous difficulties and challenges stemming from both external and internal factors. The average GDP growth rate in the period 1996 - 2000 reached 6.96%/year; the period 2001 - 2005 7.33%, the period 2006 - 2010 6.32%/year, the period 2011 - 2015 5.91% and the period 2016 - 2019 6.5%.

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Vietnam's growth compared to other regions in the world

Source: World Economic Outlook, October 2019, General Statistics Office and Compilation of forecasts

The guaranteed GDP growth has facilitated the expansion of the economy. At current prices, Vietnam's GDP scale in 2019 reached more than US\$262 billion, nearly 26 times higher than the corresponding size in 1991. The GDP scale ranking index has also improved remarkably, from the 76th position in the world in 1991 to 42nd in 2019. The economic potential has been enhanced, contributing to improving Vietnam's position on the world and regional economic map.

The quality of economic growth has also gradually improved, which is reflected in the contribution of total factor productivity (TFP) to growth, in addition to capital, labor and exploitation of natural resources. The contribution rate of TFP in GDP growth in 2019 reached 46.11%, the average period of 2016 - 2019 44.46%, much higher than the average rate of 33.6% of the period 2011 - 2015. This shows the positive transformation of the economy towards focusing on growth quality: improving labor quality, capital efficiency, applying technical and technological advances and concentrating resources on areas of higher economic efficiency.

Economic growth also creates favorable conditions for cultural development, progress and social justice. The Human Development Index (HDI), according to UNDP, has increased continuously: from 0.439 in 1990; 0.534 in 2000; 0.573 in 2005; 0.611 in 2010 and 0.63 in 2019.

According to data from the Global Competitiveness Report 2019 of the World Economic Forum (WEF), Vietnam's economy ranks 67th out of 141 countries in terms of competitiveness, up 10 places compared to 2018, thanks to reforms in institutions, infrastructure, capacity to access information technology, skills, market size, labor market, innovation capacity, dynamism of enterprises...

Vietnam has actively integrated deeply into the world economy. Currently, 69 countries have recognized that Vietnam has a full market economy. Vietnam has signed and is negotiating 16

bilateral and multilateral free trade agreements (FTAs), of which, 12 FTAs have already been signed and in effect. Prominent new generation FTAs include: Vietnam - European Union Free Trade Agreement (EVFTA); Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP); ASEAN+1 Free Trade Agreement.

Despite many impressive achievements, economic growth in Vietnam remains unsustainable, mainly based on capital investment and credit growth, while slowly shifting to in-depth development on the productivity of synthetic factors, which are basically science, technology and knowledge. The gap between Vietnam and the world tends to widen. 30 years ago, the world's GDP per capita was 3,900 USD more than Vietnam's, now the gap is more than 8,000 USD and about to increase over the years.

In addition, the gap in living standards between population segments and regions tends to widen. Hunger eradication and poverty reduction are not sustainable, the quality of health care and protection work is still low, and the health system and quality of health services have not fully met the people's medical examination and treatment requirements.

The level of participation of domestic enterprises in global value chains is still low. Exports rely on the advantage of labor costs; export structure is mainly in the form of outsourcing to foreign corporations and companies. The value-added content of exported products is still low.

2. THE ENORMOUS EFFECTS OF NEW CONTEXT ON THE MANAGEMENT OF THE SOCIALIST-ORIENTED MARKET ECONOMY IN THE CURRENT PERIOD

State management of the economy is inevitable and objective, subject to change depending on specific conditions and circumstances. Nowadays, the effects tend to be faster and stronger. The identification of factors, especially trends and impact levels, will create an initiative for Vietnam in finding appropriate response solutions.

Firstly, the Industrial Revolution 4.0 with the characteristics of physics technology, digital technology, biotechnology, artificial intelligence... forming new technologies to help improve labor productivity and operational efficiency of people rapidly, creating a foundation for the movement and development of economic relations, social relations, international relations... in the direction of intelligence, high speed, and high labor productivity.

The digital economy is being developed by many countries. The world's digital economy is now worth more than \$3 trillion (Tran Thi Hang and Nguyen Thi Minh Hien, 2019) while Vietnam's digital economy is worth \$12 billion, contributing 5% of the national GDP in 2019 (Report by Google, Temasek and Bain published in October 2019). The impact of the Industrial Revolution 4.0 and the development of the digital economy leads to a change in management object and scope of management, requiring the state management to veritably adapt, even be one step ahead in activities (Dang XuanHoan, 2020).

In the Fourth Industrial Revolution, the risk of being "abandoned", "left behind" for the disadvantaged in society, the disparity between regions tends to increase with the increasingly high degree and speed. This will create greater difficulties for building a socialist orientation in Vietnam, when economic development is combined with ensuring social justice. In addition, the

Industrial Revolution 4.0 also poses new security and defense issues, especially non-traditional security issues.

Secondly, the Covid-19 pandemic has caused changes in the world economic order in the direction of multi-polarity and multi-centre; Trade and investment flows also have strong and unpredictable fluctuations. Originating in China at the end of 2019 and quickly becoming a global pandemic, Covid-19 halted production, trade and investment in most of the world's economies. The scope and extent of the impact of the pandemic is estimated to be much larger than the impact of the world financial crisis in 2008-2009. Many international organizations have compared the Covid-19 pandemic with the impact of the great recession in the period 1929 - 1933. According to the International Monetary Fund - IMF (April 2020), the world economy was forecasted to grow negative 3% in 2020, in which economies were forecast to have a serious decline (the US was negative 5.9%, the EU negative 7.5%, Japan negative 5.2%...).

In Vietnam, under the impact of Covid-19, most industries and domestic enterprises were affected with a serious decline, especially in the fields of commerce, tourism, food and beverage services, and airlines. In the first quarter of 2020, economic growth only reached 3.82% (the lowest level in the past 10 years), the consumer price index CPI was quite high with an increase of 5.5% (the highest in the period 2015 – 2020), while trade and investment also tend to decrease. According to the IMF's forecast (April 2020), Vietnam's economic growth would only reach 2.7% in 2020 (down 4.3% compared to the 7% forecast made in January, down 4.1% compared to the target set by the National Assembly).

The negative effects of the pandemic on the world economy will be aggravated in the context of strong globalization, the world is becoming flatter, and many regional and international organizations have been established to create strong linkages at the regional, national, business and citizen levels. Close interdependence makes countries more vulnerable to external volatility. The world financial crisis in 2008 stemming from the collapse of the credit market in the US, or the world economic recession in the period 1929 - 1933 stemming from the collapse of the US stock market was the typical examples.

Under the impact of Covid-19, nationalism will grow more and more, promoting the trend of shifting core production areas of multinational enterprises to the local (as the trend has been and is taking place in America). This trend will limit global trade and directly impact economies with high openness like Vietnam. With the total import-export turnover approximately twice GDP, Vietnam will certainly need many effective solutions to cope with.

In addition, the world has and will witness the trend of shifting investment of major countries such as the US, Japan, UK, Germany, France... from China to other countries, especially the ASEAN region. To limit dependence on the Chinese market, the US and Japan have taken specific actions. On the US side, companies with 25% or more Chinese ownership will be banned from buying US companies related to technology such as aerospace, robotics and automobiles. The US administration is drafting export regulations aimed at preventing high technology from moving to China. Meanwhile, Japan has set aside \$2.2 billion in its 2020 economic bailout to help Japanese manufacturers move production out of China amid the coronavirus disrupting supply chains between major trading partners, while Japan spends 23.5 billion yen to help companies that want to

move production to other countries. The French government directs French companies to reassess their supply chains to reduce dependence on China and other Asian countries. Meanwhile, other countries are also reviewing their China (+1) investment policies. This will be a good opportunity for Vietnam to attract foreign direct investment (FDI) inflows for economic construction and development.

Thirdly, the trend of mixing trade liberalization with protectionism continues; while the role of international economic institutions is weakened. Free trade agreements (FTAs) will help promote trade liberalization along with increasing non-tariff trade protection barriers. The trend of signing bilateral FTAs has and will continue in the coming period. The scope of FTAs is also broader, not only in terms of tariff reduction and trade facilitation, but also in areas related to how goods and services are produced, investment, intellectual property, competition policy, public procurement and high degree of liberalization which was formed on the basis of linkages between partners in different geographical areas, especially between developed and developing countries.

Vietnam has participated more and more deeply in the world market. The participation in these FTAs brings many opportunities for the development of the consumer goods and service market as well as the opportunity to absorb science and technology (S&T), management, capital from the world, but also bring many challenges. In addition, the signing of FTAs means that Vietnam must further open up its market, and management mechanisms and policies also need to comply with world regulations and standards. Deeper integration requires Vietnam's policies to be more flexible, more open and more compatible with the world. This also poses many challenges to the management in order to maintain the socialist orientation.

3. SOLUTIONS TO IMPROVE THE EFFECTIVENESS AND EFFICIENCY OF ECONOMIC MANAGEMENT IN THE NEW CONTEXT

In the context of the volatile international economy, in order to maintain macro stability and develop the economy in a sustainable way, it is necessary for Vietnam to continue to improve the effectiveness and efficiency in economic management, while ensuring the goal of achieving economic efficiency, and at the same time maintaining the socialist orientation.

Perfecting institutions, enhancing the management role of the State in the socialist-oriented market economy

Vietnam needs to continue to improve the business environment in a way that is open, supportive for businesses and in line with international practices. This is considered an important solution and foundation to improve domestic production efficiency and at the same time strengthen the confidence of foreign investors in order to attract more FDI, especially in the context that this capital is tending to strongly be removed from China. Accordingly, the State perfects the legal framework, plans institutions to ensure respect and strengthens the legal and economic foundations of the market economy (property rights, business freedom, fair and equitable competition, etc. of economic sectors and regions), the leveraged policy system and other macroeconomic management tools.

The state economy, with its leading role, needs to further promote its role. It is advisable to continue with the investment in areas and industries that the private sector cannot do or do

inefficiently, focusing on the production of essential products such as health care, education, science and technology in order to enhance the initiative and capacity to withstand external shocks. In order to cope with the impact of the Covid-19 pandemic, while the Government's support packages (credit; tax exemption, reduction, extension; social security allowance) for businesses, and people needing time to promote efficiency, the urgent solution at this time is to increase the ability to disburse public investments worth more than 30 billion USD (about 700,000 billion VND) in 2020 through large projects such as: Noi Bai and Tan Son Nhat airports, North-South expressway project. The effective disbursement and implementation of the above projects will help the economy regain confidence and create support for growth in the coming time.

Promote the application of the results of the Fourth Industrial Revolution in state management, focusing on developing the digital economy:

Apply information technology (IT) in state management, improving the efficiency of administrative procedure reform, implementing government and e-government. Reforming administrative procedures through e-Government, reducing the time load, creating a favorable environment to attract foreign investors is the central task of the State.

Gradually realize the determination to build a Government of creation, development, integrity, action, serving people and businesses, especially in the context of Industrial Revolution 4.0. Continue to perfect the foundation for e-Government development towards the digital economy and digital society, and improve the capacity and efficiency of the government apparatus. At the same time, it is necessary to ensure safety, information security, and network security to contribute to the increase of the country's competitiveness and development indexes in the integration period.

Focus on building a national plan on digital transformation in order to facilitate the development of the digital economy and synchronously form the national digital infrastructure. The first action is to develop and publish a sector plan on information technology application as a basis for promulgating standards for information exchange between agencies and units, thereby creating linkages and synchronization in investment and infrastructure development.

Raise awareness of people and businesses about the digital economy, its associated benefits and challenges, and adopt policies to mobilize all resources of the society to invest in and upgrade digital infrastructure. Accelerate the application of electronic signatures and electronic contracts to economic activities. Develop mechanisms and policies to support businesses and individuals to do researches and test new technologies, thereby, creating a premise for the development of e-commerce, online business forms, etc., paving the way for the strong development of the digital economy.

Urgently prepare plans to deploy technical infrastructure for the development of the digital economy and development of 5G services, so as to be able to keep up with world trends. Focus on training and fostering information technology human resources associated with new technology trends such as Internet of Things (IoTs), artificial intelligence (AI), robotics technology, promoting linkages in training and practice among schools and the business sector in information technology applications.

Promote human resource training programs, especially IT human resources, better aim to accelerate the socialization of IT education, especially updating IT training curricula associated

with new technology trends such as IoTs, AI, robotic technology, enable students to access this field as soon as possible. Promote training and practice linkages between schools and the business sector in IT application.

Improve the national competitiveness and potential of domestic enterprises in financial aspects, S&T, manager level, market access...

With the trend of deepening international cooperation and Vietnam becoming more and more involved in the global supply chain, this is a fundamental solution to help Vietnamese businesses boost exports, and at the same time, keep the domestic market against attacks from foreign enterprises.

The Government should have a mechanism to support businesses to expand their ability to mobilize financial resources through the synchronous development of capital and money markets. There is a mechanism for allocating investment resources for development to be genuinely effective, to overcome the scattered investments and investments where the basis for determining the effectiveness is unclear. Improve access to credit of small and medium enterprises, access to capital of farmers and minorities in society.

Increase investment in research and application of science and technology, ensure to maintain the investment level of 2% of total budget expenditure, and at the same time have more solutions to mobilize financial resources outside the budget for S&T development. Continue to invest in vocational education and training, improve the working skills of employees, and consider this a "national policy", a long-term strategy for socio-economic development.

Effective implementation of policies to support businesses and social security

Many business support solutions have been introduced by the Government to support businesses and people facing difficulties due to the impact of shocks, especially with the emergence of the Covid-19 pandemic. Solutions focusing on financial support such as: credit support package worth 300,000 billion VND to reduce lending interest rates for businesses; package of tax exemption, reduction and extension with 98% of businesses being able to access to a value of VND 180,000 billion; or a social security support package for the disadvantaged with a value of VND 62,000 billion (Mai Khanh, 2020). For the most effective support packages, it is necessary to ensure publicity, transparency, as well as identify the right audience, the right criteria and the right level of support, it is important to ensure the fastest time to reach businesses and people.

In addition to financial support, the State needs to have solutions to support the consumption market through domestic and foreign investment promotion, according to which the State needs to expand trade and investment promotion activities with other countries, focusing on large and potential markets: the US, Japan, Korea, EU... At the same time, build a strategy to develop national brands for goods and services with strengths of Vietnam (agriculture, fisheries, footwear, garments). Improve the prestige and brand of products "Made in Vietnam" in the international market.

Improve the quality and efficiency of international integration

Review and supplement the legal system and related institutions and mechanisms to meet the requirements of implementing international commitments. Develop and improve the coordination mechanism among ministries, branches and localities in implementing commitments on integration

and market access. Renovate trade and investment promotion, provide information to support businesses, develop markets, and especially export markets. Improve capacity to prevent and settle international trade and investment disputes.

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INTERNATIONAL EXPERIENCE ON USING STRUCTURAL- FUNCTIONAL ANALYSIS IN BANKING SUPERVISION AND THE LESSON FOR VIETNAM

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Abstract: *Risk- based banking supervision is approach that is designed to identify activities and practices of greater risk to the soundness of banks and accordingly deploying supervisory resources towards the assessment of how those risks are being managed by banks. Structural and functional analysis of the banking system is a special method for analyzing qualitative changes through quantitative indicators of bank reports. The objective of this research is to study the experience of European Central Bank of using structural – functional analysis in risk- based banking supervision and get the lesson for banking supervision in Vietnam*

Key words: *structural and functional analysis, business model of banks, risk- based banking supervision*

I. INTRODUCTION

Commercial banks are intermediaries in financial markets so they play important role in ensuring the stability of the national financial system. Commercial banks must be supervised by bank Authors to ensure safe operation and control risk. Traditional supervision is aimed at assessing the regulatory compliance of banks. This supervision method bases on ex-post financial document so has little value for future. Nowadays, bank Authorities over the world change supervision method to risk- based supervision.

Business model of banks is a set of tools and methods to organize work, generate profits and sustain growth, so it has strong influence to bank risks. The European Central Bank introduced the assessment of the viability of business model and profitability factors as a supervisory priority.

To integrate with the world economy, Viet Nam has also legislated, set orientations and implemented and applied the method risk-based inspection and supervision. This point is available in Law of State Bank of Vietnam 2010, Development strategy Vietnam's banking industry to 2025, orientation to 2030 approved by the Prime Minister Prime Minister approved in Decision No. 986/QD-TTg dated 08/8/2018. However, in reality, the process of implementing this method in Vietnam is still has many difficulties and is not really effective.

II. CONCEPTS

Risk based banking supervisions

Historically, bank supervision has focused primarily on compliance, which is on finding contraventions to banking laws, rules and regulations regardless of materiality. Bank inspectors

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relied extensively on transaction testing such as reconciling data, counting cash and securities, and other detailed checking. In many cases, this exercise has done little more than duplicate the external audit process. This approach is very resource intensive (therefore expensive) and often ineffective (*MAC Review 2008*)

Risk based supervision is a regulatory methodology that lays strong emphasis on understanding and assessing the adequacy of bank's risk management systems which are in place to identify, measure, monitor and control risk in an appropriate and timely manner. It is a structured process aimed at identifying the most critical risks that face each an institution and through a focused review by the supervisor to assess the company's management of those risks and the company's financial vulnerability to potential adverse experience (*Bessis, 2005*)

Risk based supervision may be defined as a supervisory approach that is designed to identify activities and practice of greater risk to the soundness of banks and accordingly deploying supervisory resources towards the assessment of how those risks are being managed by banks. The risk- based supervision is an integral part of Basel II Accord (*Basel Committee of Bank Supervision, 2006*)

Risk-based inspection and supervision is a method of inspection and supervision predict the future, and based on the risk profile of the credit institution to: (i) Evaluate the inherent risks (quantitative) and risk management (qualitative) of credit institutions; (ii) Based on as a result of the risk assessment, inspection resources are allocated to the areas of risk high and/or high-risk credit institutions; (iii) Contrary to the inspection method review of past events (*FSS, 2007*).

In summary, innovation, deregulation and globalization in banking have contributed to making banking business more complex and potentially riskier. This has presented new challenges to bank supervisors with respect to the structuring of their ongoing supervision. In response, supervisors have developed methods for monitoring and assessing banks on an ongoing basis. These methods aim to improve the quality of bank examinations and develop systems that can assist supervisors in identifying changes in banks' financial condition as early as possible. Amongst the various new initiatives in this respect are the development of quantified assessments not only of the financial performance of banks but also of the underlying risk profile and risk management capabilities of individual banks. Therefore, these methods are called "*risk based banking supervision*".

Structural and functional analysis

Structural and functional analysis is a modern method of the complex system which focus on the systematically analysis objects' management, researching of the its state with using the huge quantity of indicators and minimization of possible uncontrolled risks. This method allows comparing the characteristics of the homogeneous objects and indicating the spheres of dangerous risk for urgent regulatory activities. The structural and functional analysis is also called "The business model" (*Elena Zarutskaya et.al, 2018*)

"The business model of an enterprise" can best be described through 9 basic building blocks that show the logic of how a company intends to make money: customer segments, value positions,

channels, customer relationships, revenue streams, key resources, key activities, key partnerships, cost structure. The nine business model building blocks form the basis for a handy tool, which we call the Business Model Canvas (*Alexander Osterwalder & Yves Pigneur, 2009*)

The concept of "bank business model" is also controversial among scholars, experts and bankers. In some cases, the term is considered in a very narrow sense, only as a model of income and operating activities, but in some, it is understood too broadly, as a general bank management strategy. Belgian economist Frederik Mergaerts and Rudi Vander Vennet point out that the business model reflects the bank's strategic choice related to the assets, liability, capital and income structure. (*Mergaerts & Vennet, 2015*)

The analysis of the business model involves determining the degree of profitability of the bank in the short term and the possibility of maintaining the strategic stability of the bank in the long run. Analysis of the bank's business model means the use of both quantitative and qualitative indicators. Quantitative indicators characterize the main indicators of the bank's activities and its "risk appetite" compared with similar groups of banks. Qualitative indicators characterize the effectiveness of the existing system of management, financial and strategic planning in the bank. (*European Central Bank, 2014*)

Scientists identify relationship between bank business model and banks' risk. According to Lyubch et.al (2016): banks with more diversified incomes structure are more secured in times of crisis shocks, as the higher level of diversification increases their resilience to the effects of destabilizing factors. Large system banks are considered to be less stable, since it is difficult for them to quickly adapt to the constantly changing conditions of the internal and external environment; however, they are considered to have a higher level of sustainability in the long run.

III. INTERNATIONAL EXPERIENCE ON USING STRUCTURAL- FUNCTION ANALYSIS IN BANKING SUPERVISION

The structural and functional analysis become the most popular in the bank supervision sphere. The SREP (Supervisory Review and Evaluation Process) analysis model has become very popular in Europe. This model is a developed and revised version of the ICAAP (Internal Capital Adequacy Assessment Process). ICCAP was created in the framework of Pillar II and directed to researching internal procedures and processes in the bank in order to determine the level of capital adequacy in the long run to cover all possible risks.

The SREP analysis is based on nine interrelated areas of analysis:

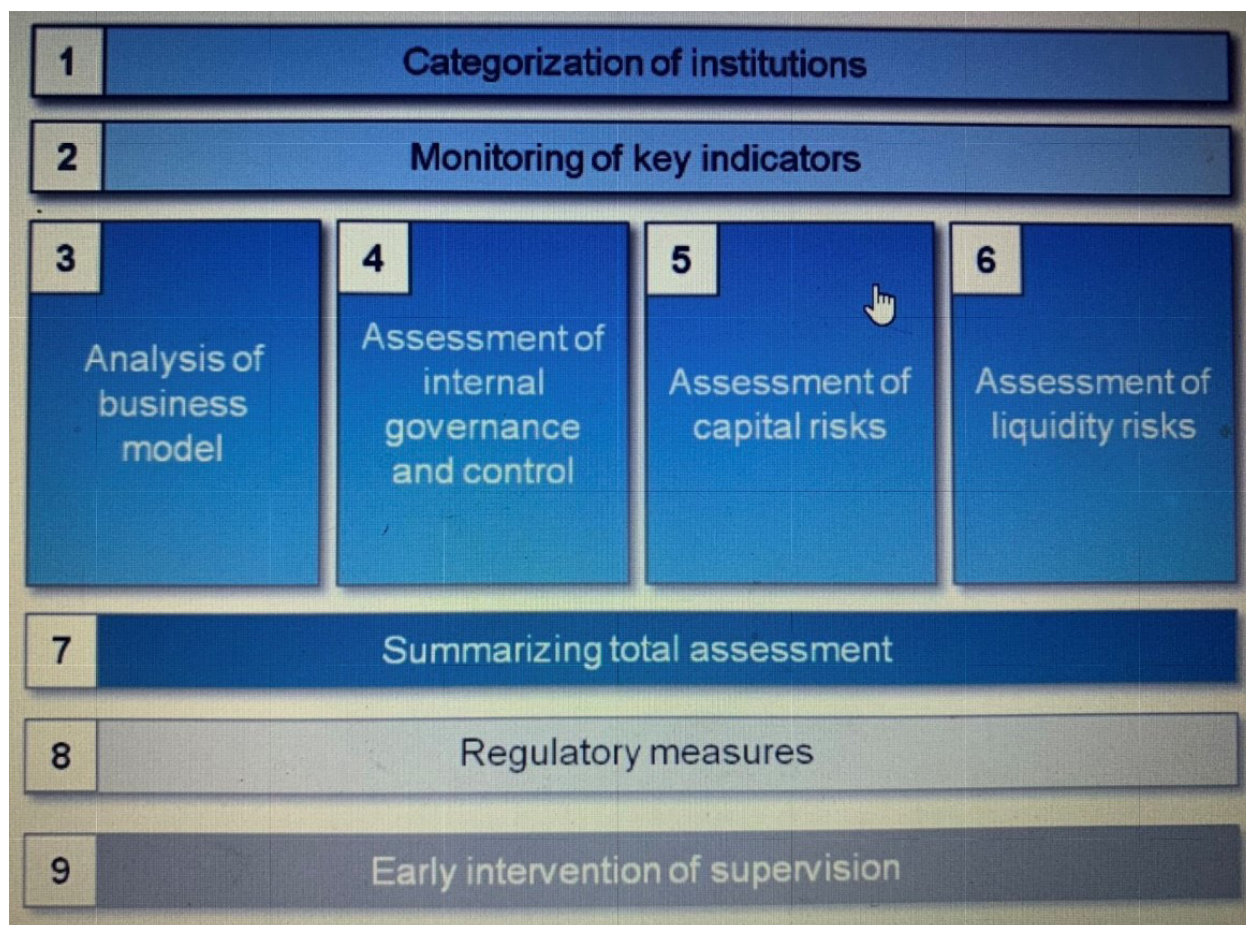


Illustration1. The SREP analysis (Source: cf.EBA/CP/2014/14 zeb)

The European Banking Authority consider the business model as a set of tools and methods to organize work, generate profits and sustain growth. Each business model consists of a specific set of components, depending on the company's major long- term goals. According to SREP, institutions were categorized by the competent authorities into following categories, depending on the size of the institution, its' internal structure and organization, the scope, nature and complexity of activities:

1. Category 1 includes global systemically significant institutions (G-SIIs) and other systemically significant institutions (O-SIIs)

2. Category 2 includes large and medium institution that work on the domestic market or have a significant part of cross border activities and operating in several business areas and also offer financial and credit products for retail and corporate clients

3. Category 3 includes medium and small institutions that operate entirely in the domestic market and in a limited range of business areas

4. Category 4 includes small banks that cannot be categorized as above

In 2018, The National bank of Ukraine offers the following classification of business model of the banks within the SREP analysis:

1. Universal business – model. This model is characterized by a significant share of operation with legal entities, individuals, interbank operations and transactions with other participants in the financial market in the structure of assets and liabilities.

2. Retail business- model. This model is characterized by a significant share of operations with individuals in the structure of assets and liabilities

3. Corporate business- model. This model is characterized by a significant part of the credit operations with legal entities in the structure of assets and the borrowed funds from legal entities in the structure of liabilities.

4. Corporate business model with retail financing.

5. Business model of limited credit intermediation. This model is characterized by a significant part of loans is granted to a limited number of partners or active operations are financed with the bank's own funds.

According to the research of Elena Zarutskaja et.al (professor, University of Customs and Finance, Ukraine), they formulated the idea of expediency and the possibility of isolating homogeneous groups of banks that are close: the structure of the main aggregates of assets, liabilities, income and expenses; Priority in the provision of services; On the level and structure of the main types of bank risks; Response to external shocks. Elena Zarutskaja et.al create structural indicators that are presented in following table:

Table 1. The structural indicators

No	Code	Content
1	A-s	Ranking number by asset size
2	VCA	Share of foreign currency assets in total assets
3	SAUI	Share of foreign currency corporate loans in assets
4	CA	Balance sheet equity ratio
5	ROA	Return on assets
6	RA	The ratio of credit risk provisions to assets
7	VR	The ratio of expenses for the formation of credit risk provision for assets
8	VA	The ratio of administrative expense for assets
9	PM	Net interest margin
10	SPUP	Share of current funds of legal entities in liabilities
11	SPUN	Share of legal entities funds in national currency in liabilities
12	SPUS	Share of fixed funds of legal entities in liabilities
13	SPUI	Share of legal entities funds in foreign currency in liabilities
14	SPFN	Share of funds of individuals in national currency in liabilities
15	SPFS	Share of time funds of individuals in liabilities
16	SPFI	Share of funds of individuals in foreign currency in liabilities
17	SPFP	Share of current funds of individuals in liabilities
18	SPMN	Share of interbank loans of national currency in liabilities
19	SAUN	Share of national currency corporate loans in assets
20	SPMI	The share of interbank loans of foreign currency in liabilities
21	SAFI	Share of consumer loans of foreign currency in assets

22	SAFN	Share of consumer loans of national currency in assets
23	KD	The ratio of commission income to assets
24	VL	The ratio of the gap between assets and liabilities in foreign currency to total assets
25	TD	The ratio of trade income to assets
26	SAMN	The share of interbank loans in national currency in assets
27	SAMI	The share of interbank loans in foreign currency in assets
28	SAV	Share of highly liquid assets in assets
29	PD	Return on interest bearing assets
30	PV	Value of interest obligations
31	SAC	Share of securities in assets

(Sources: Elena Zarutskaya et al, 2018)

Structural – functional analysis is conducted quarterly or annually and consists of 5 steps:

1. Calculation of system indicators for the reporting of all operating banks to reporting date, supplementing the database and building a self- organized map

2. Analysis of the obtained cluster, comparing the structure of the map with the previous, estimating the average values of the system indicator for each cluster, the combination of separate close clusters in the structural – functional group;

3. Investigation of changes in the characteristics of the structural – functional group, their position on the map and the size

4. Investigation of changes in the characteristics of each bank, its trajectory on the map, interpretation of change

5. summarizing the state of the banking system, business models of banks.

Base on value of structural indicators calculated for 83 banks in Ukraine, Elena Zarutskaya et al formulate different structural – functional groups as table 2. Elena et al propose the feature of each group especially risk level.

Table 2. The initial distribution of bank into structural- functional groups

Group	Number of banks	Total Assets (million UAH)	Comment	Term of the Stay
1	10	11.327	Small banks with individual national currency deposit	Constantly
	6	5.192		Temporarily
2	3	3.755	Small banks with individual foreign currency deposit	Constantly
	3	3.165		Temporarily
3	10	197 547	Banks with current funds of legal entities in liabilities	Constantly
	10	158 499,5		Temporarily
4	6	41.844	Banks with securities in assets	Constantly
	5	4.751		Temporarily

5	3	9865	Banks with consumer loans of national currency in assets	Constantly
6	3	9.730	Banks with unstable financial status	Temporary
7	3	634.835,4	Large banks with foreign currency liabilities	Constantly
8	14	134.062, 9	Banks with foreign currency corporate funds assets and liabilities	Constantly
	2	41.180,7		Temporary
9	2	39.376	Large banks with foreign currency assets	Constantly
10	3	11.876,5	Banks with banking funds in foreign currency in assets	Constantly
	83			

(Some banks belong to the group for a long time, have sign "constantly"; other banks have moved to their group recently, with sign "temporary")

Structural – functional analysis method is intended to identify significant changes in the banking system and take the necessary regulatory measures. This method allows us to evaluate the business model and simulate the strategy of banks, to investigate the causes of the changes, to compare with the dynamic of other banks.

IV. CONCLUSION

Since the financial crisis of 2007-2008 and the 4th industrial revolution, banks around the world, including Vietnam, need to consider and change appropriate business models to ensure safe operations. effective. Operational structure and revenue sources of Vietnamese commercial banks also changed according to the general trend in the international market: the proportion of income from non-credit services increased (at the end of 2019 it reached over 10%, before 2015 it was less than 8 percent). %). Thus, in order to survive and develop in line with the integration trend, Vietnamese commercial banks have been and will have to change their business models. Using structural-functional analysis techniques helps state management agencies have a clear picture of: capital mobilization structure, loan capital structure, investment, income structure, ... by each group of banks as well as each bank at different times; assess which changes are appropriate - limit risks, improve operational efficiency, which changes are inappropriate - increase risk exposure, reduce operational efficiency of the bank. Therefore, the structural-functional analysis technique is a method of risk assessment and prediction for effective banking supervision in Vietnam today.

In addition, in Vietnam, in the past 10 years, the content of supervision of credit institutions has been constantly renewed, especially when Circular 08/2017/TT-NHNN took effect. compliance with risk-based monitoring. Accordingly, the contents of micro-monitoring activities include: (i) rating of credit institutions; (ii) forecast financial situation; (iii) analyzing and assessing the management and administration capabilities of credit institutions; (iv) analysis and assessment of the operation of credit institutions; (v) profiling the credit institution's risk. Quantitative tools in new monitoring activities are mainly Camels rating system, not yet applied quantitative models to predict risks such as: stress testing, DEA performance model... Therefore, the risk prediction efficiency is not high. One of the reasons for this problem is that supervisory staff's capacity is not enough to build complex models, lack of data to run the model (data on shocks, national

financial statistics data). family...). Therefore, using the structural-functional analysis technique as analyzed in the content of assessing, forecasting the financial situation and forecasting the risks of banking supervision activities is suitable with the conditions and possibilities, capacity of the banking supervisory authority in Vietnam today.

To use the structural – functional analysis method for, Vietnamese supervisor need to pay attention:

Firstly, setting up structural indicator system similar to Elena Zarutskya's indicators. Structural indicator system must reflect bank's approach to mobilize capital, distribution assets; business strategy, ability of risk management... which relate to bank's risk

Secondly, selecting matching criteria to setup the structural- functional groups. Calculate structural indicators for all commercial banks in Viet Nam, grouping banks with closed indexes

Thirdly, to analysis obtained group quarterly, timely detection the changes in all database, in groups through average value of structural indicator; founding the movement of banks between groups.

Finally, based on the macroeconomic situation and the general fluctuations of the banking system, the supervisory agency selected the times with big differences between the groups of commercial banks, and has much changes in the characteristics of each group, thereby seeing the risk factors for the operation of commercial banks as well as the response of commercial banks to shocks.

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DETERMINANTS OF CAPITAL STRUCTURE: EVIDENCE FROM LISTED CONSUMER DISCRETIONARY COMPANIES ON HO CHI MINH STOCK EXCHANGE

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Abstract: *The article studies the impact of a number of factors affecting the capital structure of consumer discretionary companies listed on the Ho Chi Minh Stock Exchange (HOSE). The study uses the Generalized least squares (GLS) estimation method with eight factors are included: firm size, ROA, tax, age, growth of firm, tangibility of assets, liquidity and ownership. The data in this article is collected from 41 consumer discretionary companies listed on HOSE in the period 2016-2020. Research results show that ROA, tangibility of assets, ownership and liquidity have a negative relationship with the capital structure of Vietnamese consumer enterprises; firm size has a positive relationship, while other factors are not statistically significant. The results of the study can help these companies build a reasonable capital structure to leverage their intrinsic strengths.*

Keywords: *the impact factors, capital structure, consumer discretionary companies.*

1. INTRODUCTION

The consumer goods industry is a large and long-standing industry, so it usually has a slow growth rate, the growth rate of the industry is usually less than or equal to the GDP growth rate of the country (Le, 2007). However, due to the young population structure, discretionary income sources, and the industry's rising urbanization rate, foreign investors have always been interested in the retail sector in Vietnam throughout the years. In Vietnam, the retail business typically grows at a rate 1.5 to 2 times faster than the GDP. According to data collected from Euromonitor, in the period 2017-2021, the average growth rate of total household spending in Vietnam is 11.4%, while the urbanization rate increases rapidly from 20% (1998) to 37.4% (2021). According to PwC study, Vietnam is also one of the fastest growing economies in the Asia-Pacific region's developing economies, with growth remaining in the double digits through 2022 (Dan, 2019).

In 2020, under the influence of the Covid epidemic, the consumer industry as well as other sectors of the economy suffered great losses. According to statistics from the Business Registration Department (Ministry of Planning and Investment), as of October 2020, 37,710 enterprises have temporarily suspended operations pending dissolution, in which, enterprises are in the wholesale and retail industry. accounting for 36%, equivalent to 13 573 enterprises. However, the majority of businesses waiting to be dissolved are small businesses, they cannot bear the high fixed costs during the lockdown. This is an excellent chance for major corporations to grow their market share.

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Despite the decrease in the number of businesses, total retail sales of consumer goods and services in the fourth quarter of 2020 were estimated at more than 1.38 million billion VND, a 6.4 percent increase over the third quarter and an 8 percent year-on-year increase, according to the General Statistics Office. Along with the great development of the Internet and the rapid digitization of businesses, a rapid recovery in retail is to be expected in the future. Especially in light of the fact that in 2020 many large international brand stores were opened in Vietnam, such as Uniqlo, Muji, Watson, Matsumoto Kiyoshi (An, 2021). According to the SSI forecast, the nonessential consumer goods industry may achieve one of the strongest growth in 2021 (Giap, 2020). It shows the huge potential of consumer stocks in Vietnam.

Besides the indexes to evaluate a company's stock such as EPS, P/E, ROA, ROE or P/B, capital structure is also an important factor used to evaluate a company that investors often observed. Capital structure is one of the important indicators to evaluate the business performance of a company. According to recent studies, the debt-to-capital ratio of Vietnamese enterprises is at a high level. Most of the working capital or even medium and long-term capital used for production and business activities is dependent on commercial banks. Enterprises are still passive and lack flexibility in mobilizing capital from stocks and bonds. Using an unreasonable capital structure can lead to a lot of risks for businesses, even bankruptcy. There have been many theories of capital structure such as theory of Modigliani and Miller, Pecking order theory, Trade-off theory... However, they have many points of conflict with each other in the assessment and use of capital structure for businesses.

The capital structure will change depending on the business sector, the size of the business, the influence of the macro-economy, culture, religion and politics of each country. Therefore, studying the factors affecting the capital structure of each separate industry is really necessary to maximize the benefits of the enterprise. In Vietnam, recently, there have not been many studies related to the factors affecting the stock value of the consumer industry. Therefore, investors need to learn the capital structure of the company to evaluate the performance so that they can make an accurate investment decision.

The study will use quantitative and deductive research strategies to examine cross-sectional secondary data obtained from a reliable source of financial information.

This article is divided into 5 parts. The first part is the introduction, which contains the justification for the study, the purpose and objectives of the study, and a brief description of the method. The next section analyzes a review of the literature that presents the main theories of factors related to capital structure and empirical research, and examines the relationship between these factors and the capital structure of companies. Consumer companies listed in HOSE. The methodology is the third section and explains the research approach and the methodology chosen to fulfill the purposes of the research. After discussing the research techniques, Section 4 reviews the regression data and provides the research results. Finally, Section 5 concludes the study with a summary of the research results, as well as a summary of what was accomplished to solve the research problem.

2. LITERATURE REVIEW AND THEORETICAL BASIS

2.1. Theoretical basis

2.1.2 Modigliani and Miller theory

The definition of capital structure comes from the Modigliani and Miller theory (1958). It is also the first study about the relationship between capital structure and firm value. The study is based on a number of assumptions such as perfect capital markets, no taxation, no transaction costs, no bankruptcy costs, individuals and businesses can borrow money at the (Miller, 1963) same interest rate. The results are showed that the firm value is independent of capital structure, two firms which have same investments and financing decisions would have the same firm's market value, regardless of amount of debt and equity. In 1963, Modigliani and Miler revised their theory by researching the relationship of capital structure and firm value with corporation tax. Due to the benefit of tax shield, the company which issue debt financing have firm value higher than company which not issue deb t financing. The theory shows that there is a relationship between capital structure and firm value. However, there is some controversy about M&M theory because of the model's assumptions.

2.1.2. Trade-off theory

Kraus and Litzenberger (1973) developed trade-off theory. Kraus and Litzenberger believed that company issues debt financing can benefit from tax shield, however, using high leverage ratios can increase financial risks. Theory shows that financial managers can find an optimal capital structure to maximize firm value. When company issues more debts, the benefits of tax shield are bigger but the risk and costs of financial distress are also higher (Myers, 2001). The best capital structure is balance between present value of benefit from tax shield and present value of bankruptcy costs and non-bankruptcy costs. That reason why firms usually are raised capital partly borrowing and partly with equity.

2.1.3. Pecking order theory

The pecking order theory was proposed by Gordon Donaldson (1961), resulting from increasing cost of financing with asymmetric information between managers and external investors. External investors are provided with poor information than managers and owners, and therefore, they demand higher interest rate to cover risks. Instead of finding capital structure optimization, Myers and Majluf (1984) was completed the theory where they argue that firms prefer using internal funds to using external funds. There is a well-defined order (decreasing) of preference with respect to sources of long-term investment when a firm is financing: internal capital (e.g., retained earnings), bank borrowing, corporate bonds and new equity. The pecking order theory states that using internal funds will reduce the dependence on external source of financing, amplify the return on equity and reduce the leakage of internal information of companies.

2.1.4. Market timing theory

The market timing theory consider capital structure under imperfect market conditions. It is contrasted with the pecking order theory and the trade-off theory. Baker and Wurgler (2002) argue

that market timing is the first order determinant of a firm's capital structure instead of internal funds in the pecking order theory. In fact, companies often tend to issue shares in lieu of borrowing bank when market price of stock is higher than book value and market ex-price of stock. In contrast, if the market price of stock is lower than book value and market ex-price of stock, the firms will buy back the shares. It states that there is no optimal capital structure because the theory claims that the managers believe that the market can be adjusted. In conclusion, no matter which type of source of financing (e.g., new equity, borrowing bank, internal funds) managers use, the decision of issuing debt or equity depends on market timing.

2.2. An overview of empirical studies

Jian and Roger (2005) research based on a sample of 972 Chinese listed companies on the Shanghai Stock Exchange and Shenzhen Stock Exchange in 2003. It states that the firm size had a significant positive influence on market value of leverage ratios, meanwhile company's age had a significant positive effect on the book value of leverage ratios. Moreover, ROA was negatively affected by capital structure. Huang and Song (2005) analyzed data from more than 1200 Chinese listed corporates from 1994 to 2003. It was found that tangible assets ratio and tax have a positive effect on debt ratios such as total debt ratio, long-term debt ratio. Afterwards, Frank and Goyal (2009) investigated the inverse relationship between ROA and capital structure by the way researched publicly traded American firms over the course of 54 years starting in 1950.

With regards to 144 Thailand listed enterprises in the Stock Exchange of Thailand between 2000 and 2011, Pornpen (2014) empirically tested the effect of determinants on capital structure. The results of this study suggest that the firm size had significant positive effect on leverage ratios, opposite, ROA had significant negative affect on capital structure. As Pornpen (2014), Jacinta, Mahfuzur and Selvam (2017), analyzed data from the total number of listed firms on the Bursa Malaysia, Singapore Stock Exchange and the Stock Exchange of Thailand are 911, 7761 and 5841, respectively for the period 2004-2013. This result is similar to the study of Pornpen (2014). In addition, it affirmed a strongly positive relationship between debt ratios and tangibility.

Meanwhile, in Amman Stock Exchange, Sufian (2019) selected data of 13 Jordanian commercial banks from 10 years ending in 2017. The study confirmed that leverage ratios increase with firm age and firm size, whilst, decrease with liquidity and profitability (ROA). To support the pecking order theory, Tasneem and Atif (2020) researched and analyzed 191 Indian listed companies on the National Stock Exchange for the period 2009-2018. Capital structure was found to be correlated with return on asset and liquidity the strongest relationship among all variables examined. However, ROA and liquidity had negative affect on debt ratios. Ibrahim and Ariba (2021), used secondary data of 22 listed oil and gas firms in the GCC from 2010 to 2019. The ordinary least squares regression results indicated that the relationship between firm size and capital structure is positive. Additionally, the high debt level led to dramatical reduction in ROA.

In the case of Vietnam, Tran and Ramachandran (2006) selected secondary data of 558 small and medium-sized enterprises in Vietnam. This empirical study aims to explore the determinants effect on capital structure from 1998 to 2001. It investigated the significant positive relationship of firm size, the growth with debt ratios. Meanwhile, Dang and Quach (2014) get it performed, in

order to test the factors that important influence on the debt ratios of 180 listed company on the Hochiminh Stock Exchange. It reported that tax and ROA had negative affect on three variables of leverage (total debt to total assets, long-term debt to total assets and short-term debt to total assets).

In another development, Le (2016) evaluated 17 cement companies listed on the Stock market of Vietnam (HOSE and HNX) from 2007-2013 to verify previous theories and researches. The generalized east squares regression results stated that size, age, tangibility and liquidity are statistically vital correlated with the leverage ratios in cement enterprises in Vietnam. Recent evidence is provided by Ngo (2017) in the case of researching 52 listed consumer companies in Hochiminh Stock Exchange between 2011 to 2015. It was found that the tangibility positively effected on capital structure. Three years later, Bui, Nguyen, Dang, Le and Pham (2020) made a important contribution to the development of the research topic in Vietnam. It analyzed 268 newly established companies in Hanoi over the course of 5 years starting in 2010. There is evidence of a negative linear effect of capital structure on firm performance measured by ROA. In addition, liquidity also had invert relationship with debt ratios. Whilst, firm size, growth and age strongly effected on leverage ratios.

Le, Bui and Le (2020) investigated on 52 food listed companies in Vietnam Stock Exchange with the database collected in the period 2011-2018. The study noted that there was positive correlation among growth, firm size and debt ratios. Meanwhile, high level of debt level negatively affected on ROA. In the case of logistics industry in Vietnam, Luong, Pham, Nguyen, Nguyen, Nguyen and Pham (2020) selected 59 logistics listed firms in two exchanges between 2014 and 2018. The negative leverage-tax relationship and leverage-liquidity relationship were reported in this study. Duong (2021) researched 59 food and beverage listed companies in Vietnam Stock Exchange from 2009 to 2019. These findings were consistent to Luong, Pham, Nguyen, Nguyen, Nguyen and Pham (2020) findings. This means that capital structure is significantly inversely correlated with tax and liquidity. Additionally, the firm size strongly effected on debt ratios.

3. DATA AND METHODOLOGY

3.1. Source of Data

The observed sample includes 41 consumer discretionary companies listed on the Ho Chi Minh Stock Exchange in the period from 2016 to 2020. Statistical data is collected and aggregated from the financial statements of enterprises. The data in this study is a three-dimensional array data with dimensions: year, firm and factor, consisting of 205 observations, obtained from the website <http://vietstock.vn> which is a creditworthy information provider in Vietnam, with STATA is used for data processing and statistical analysis.

3.2. Data analysis

There are three commonly used panel data approach estimation methods: FEM, REM and GLS (Generalized Least Squares). However, the results of running the model by FEM and REM methods show that the model encounters variable variance and autocorrelation. Therefore, the study chooses GLS method to overcome this error. The paper also examines different criticality tests for the regression hypothesis including Hausman test and multicollinearity test to determine that the regression is blue.

3.3 Variables

• Dependent Variables:

The total leverage ratio, long-term leverage ratio, short-term leverage ratio are three dependent variables in this study, as it was in previous studies on the key drivers of capital structure (Tran and Ramachandran, 2006; Le, 2016; Tasneem and Atif, 2020). This variable indicates how much of the company's debt is used.

• Independent Variables:

The explanatory variables in this paper are solely internal variables such as return on assets (ROA), firm size, growth, tangibility, liquidity, tax, ownership and age.

Table 3.3.1: Variables			
	Variable	Code	Measure
1	Leverage	TLEV, SLEV, LLEV	TLEV= Total Liabilities /Total Assets SLEV= Short-term Liabilities /Total Assets LLEV= Long-term Liabilities /Total Assets
2	Firm size	Size	Log of Total Assets
3	Profitability	ROA	ROA= EBIT/ Total Assets
4	Tax	Tax	TAX= Income Tax Expenses/ EBIT
5	Age	Age	Log of Age
6	Growth	GROW	GROW =[Total sale year (t) – Total sale year(t-1)]/ Total sale year(t-1)
7	Tangibility of assets	TANG	TANG= Tangible Assets/Total Assets
8	Liquidity	LIQ	LIQ=Current Assets/ Current Liabilities
9	Ownership	OWN	OWN= Shares held by foreign individual or foreign party / Total shares outstanding

Source: Compilation Author

3.4. Empirical model specification

• Model 1: Factors affecting on the total leverage ratio of firm

$$TLEV_{i,t} = \beta_0 + \beta_1.GROW_{i,t} + \beta_2.ROA_{i,t} + \beta_3.TANG_{i,t} + \beta_4.SIZE_{i,t} + \beta_5.AGE_{i,t} + \beta_6.OWN_{i,t} + \beta_7.LIQ_{i,t} + \beta_8.TAX_{i,t} + u_{i,t}$$

• Model 2: Factors affecting on the short-term leverage ratio of firm

$$SLEV_{i,t} = \beta_0 + \beta_1.GROW_{i,t} + \beta_2.ROA_{i,t} + \beta_3.TANG_{i,t} + \beta_4.SIZE_{i,t} + \beta_5.AGE_{i,t} + \beta_6.OWN_{i,t} + \beta_7.LIQ_{i,t} + \beta_8.TAX_{i,t} + u_{i,t}$$

• Model 3: Factors affecting on the long-term leverage ratio of firm

$$LLEV_{i,t} = \beta_0 + \beta_1.GROW_{i,t} + \beta_2.ROA_{i,t} + \beta_3.TANG_{i,t} + \beta_4.SIZE_{i,t} + \beta_5.AGE_{i,t} + \beta_6.OWN_{i,t} + \beta_7.LIQ_{i,t} + \beta_8.TAX_{i,t} + u_{i,t}$$

4. RESULTS AND DISCUSSIONS

4.1. Descriptive statistics

Table 4.1.1: Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
TLEV	205	0.0026	1.29	0.49	0.25
SLEV	205	0.0026	1.25	0.41	0.24
LLEV	205	0	0.59	0.07	0.10
SIZE	205	10.57	13.66	12.03	0.49
ROA	205	-0.47	0.46	0.08	0.11
TAX	205	-0.14	2.03	0.20	0.18
AGE	205	0.09	1.81	1.32	0.27
GROW	205	-0.92	37.31	0.31	2.69
TANG	205	0	0.88	0.26	0.20
LIQ	205	0	43.02	3.11	5.82
OWN	205	0.13	0.72	0.16	0.19
Valid N (listwise)	205				

Source: Data analysis results from Stata 14.0 software

The Descriptive Statistics of TLEV has shown that, on average, firms use 49% (0,49) debt in capital structure, lower than average industry 51.74% (Doan, 2010). Enterprises in the consumer discretionary industry in the direction of maintaining a low debt ratio. The maximum debt ratio used by enterprises is 129% (1.29), showing that the business capital is completely dependent on debt and has low financial autonomy. Therefore, businesses will be exposed to risks when lending interest rates rise sharply. Meanwhile, a minimum debt ratio of 0.26% proves that some businesses use very low debt ratios in their operations.

Long-term debt ratio (LLEV) and short-term debt ratio (SLEV): the average short-term debt ratio is 41% (0.41), the highest is 125% (1.25) of total assets. Meanwhile, the average long-term debt ratio is 7.6% (0.076), the highest is 58% (0.58). This implies that the consumer firms sampled in the study mainly use short-term debt to finance their operations.

Growth (GROW): The maximum value of 37 and the minimum value of -0.92 show that the growth rate among enterprises in the consumer discretionary industry is uneven. Most businesses the consumer industry has a growth rate of less than 31% (0.31).

Profitability (ROA): Average is 8% (0.08), in which enterprises have the highest profit margin of 46% (0.46), the lowest is -47% (-0.47). It can see the actual activities of the consumer discretionary industry in the research period, most of businesses are facing many difficulties, most of them are at loss point. Firm size (SIZE): the smallest value is VND 37,305 million, the largest value is VND 46,030,879 million. Firms selected for inclusion in the sample have significant fixed assets.

4.2. Regression results explanation

- Results of Model 1:

Table 4.2.1: Regression results for Total Leverage Ratio's empirical model			
Variables	Regression results of Model 1		
	FEM	REM	GLS
SIZE	0.266***	0.222***	0.231***
ROA	-0.232**	-0.321***	-0.463***
TAX	-0.0458	-0.0586	-0.0238
AGE	-0.541***	-0.119*	-0.0617
GROWTH	-0.00278	-0.00171	0.00282
TANG	0.200	-0.142	-0.238***
LIQ	-0.00604***	-0.0102***	-0.0122***
OWNERSHIP	0.0968	-0.209**	-0.232***
Valid N (listwise)	205	205	205

Source: Data analysis results from Stata 14.0 software

Note: * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Firstly, in this model, ROA had an invert correlation with total liabilities to total assets. = - 0.463 shows that corporate profitability and capital structure have an inverse relationship: when other factors are constant, ROA increases by 1%, the debt/equity ratio decreases by 0.463% and vice versa. This has confirmed that businesses with high profitability tend to be financed with internal capital rather than external capital.

Additionally, it is found that the estimated coefficient of SIZE turns out to be positive and statistically significant with TLEV, thus it is easier for large enterprises to raise capital from banks than small enterprises with the implication that the Vietnamese consumer listed companies are following Trade-off theory.

Meanwhile, TANG negatively affected on total debt ratio and the coefficients are statistically significant. This supports the pecking order theory, which states that companies with more intangible assets suffer more significant information asymmetry issues. Because providing debt is a stronger signal than issuing stock, debt financing helps to alleviate these issues (Myers and Majluf, 1984). Beside that, LIQ and OWN also were found to be negatively related to total leverage ratio.

The specific regression model is rewritten as follows:

$$TLEVi,t = -0.463.ROAi,t - 0.238.TANGi,t + 0.231.SIZEi,t - 0.232.OWNi,t - 0.0122.LIQi,t + ui,t.$$

• Results of Model 2:

Table 4.2.2: Regression results for Short-term Leverage Ratio's empirical model			
Variables	Regression results of Model 2		
	FEM	REM	GLS
SIZE	0.168***	0.180***	0.188***
ROA	-0.0770	-0.153*	-0.285***
TAX	-0.0485	-0.0524	0.0136
AGE	-0.313**	-0.0977	-0.0125
GROWTH	-0.000962	-0.000546	0.00498
TANG	-0.0769	-0.333***	-0.510***

LIQ	-0.00669***	-0.00981***	-0.0130***
OWNERSHIP	0.0498	-0.118	-0.122***
Valid N (listwise)	205	205	205

Source: Data analysis results from Stata 14.0 software

Note: * p<0.1, ** p<0.05, *** p<0.01

Based on the results shown in Table 4.2.2, there is a negative relationship between the tangible assets ratio and the short-term debt ratio and statistically significant at the 1% significance level (p<0.01). As a result, the drop in leverage indicates an increase in fixed assets and a decrease in debt-financed operational assets. However, an increase in fixed assets does not always imply a reduction in risk; moreover, the company's fixed assets have a low liquidation or liquid value because they are not used in other businesses.

In addition, OWN turns out to be negative with SLEV, thus indicating that high debt levels are proportional with lower shares held by foreign individual or foreign party to total shares outstanding. At a time when the economy is developing, enterprises with a large proportion of foreign capital will often have the advantage of borrowing capital when they show their potential for future development. However, because Vietnam is still a new economy, this factor has not been appreciated and creates a positive influence on the ability of enterprises to borrow capital.

The GLS regression result of Model 2 were consistent to the result of Model 1. This means that short-term debt ratio is significantly inversely correlated with ROA and LIQ, meanwhile, SIZE had a positive important relationship with this leverage.

The specific regression model is rewritten as follows:

$$SLEVi,t = -0.285 \cdot ROAi,t - 0.510 \cdot TANGi,t + 0.188 \cdot SIZEi,t - 0.122 \cdot OWNi,t - 0.0130 \cdot LIQi,t + ui,t$$

• Results of Model 3:

Table 4.2.3: Regression results for Long-term Leverage Ratio's empirical model			
Variables	Regression results of Model 3		
	FEM	REM	GLS
SIZE	0.123***	0.0422*	0.0192**
ROA	-0.172**	-0.148**	-0.0562**
TAX	0.00299	-0.00668	-0.00978
AGE	-0.281***	-0.0414	-0.0293
GROWTH	-0.00208	-0.00118	-0.00112
TANG	0.265***	0.214***	0.182***
LIQ	0.000776	0.000263	0.000159
OWNERSHIP	0.0558	-0.0643	-0.0319
Valid N (listwise)	205	205	205

Source: Data analysis results from Stata 14.0 software

Note: * p<0.1, ** p<0.05, *** p<0.01

Positive effect of firm size on long-term debt ratio, consistent with the Trade-off theory, Tran and Ramachandran (2006) gave similar results. The larger the business size, the stronger the

financial potential, the lower the bankruptcy risk. In addition, large-scale enterprises have a better reputation in the debt market, gain trust from creditors, so they can easily access loans and reduce transaction costs when issuing long-term debt. Moreover, TANG also strongly positively effect on LLEV. When other factors being equal, a 1% increase in TANG increases the long-term debt/ total asset ratio 0.182%.

In the other hand, the result also indicated a negative correlation between ROA and LLEV. Meanwhile, GROW, AGE, LIQ, OWN and TAX have no influence on the long-term debt ratio.

The specific regression model is rewritten as follows:

$$LLEV_{i,t} = -0.0562 \cdot ROA_{i,t} + 0.182 \cdot TANG_{i,t} + 0.0192 \cdot SIZE_{i,t} + u_{i,t}$$

4.3. Discussions and testing results for hypotheses

In general, the capital structure of consumer companies listed on the stock market is not too different in terms of the use of equity or debt, which is reflected in the debt/asset ratio of these companies at a average level is 49% compare with average debt ratio of 428 companies (Doan, 2010). Among the factors proposed by the author, size, ROA, tangibility, liquidity and ownership are statistically significant in explaining the change of the dependent variable; while age, tax and growth rate were not correlated with the dependent variable.

For the size factor, supporting the Trade-off theory as well as the initial expectations of author, firm size has a positive effect on the capital structure of consumer enterprises in Vietnam. This result was found in some studies done recently in Vietnam such as Dang and Quach (2014), Bui, Nguyen, Dang, Le and Pham (2020), Le, Bui and Le (2020). Therefore, confirming the similarity of the positive relationship between size and the debt ratio of many types of enterprises in Vietnam. Moreover, in the world, Jacinta, Mahfuzur and Selvam (2017) and Sufian (2019) also reached the same conclusion in their study.

Meanwhile, ROA is a factor that has a negative relationship with the debt ratios of Vietnamese consumer firms. This means that when companies have high profits, they will prioritize using internal capital and limit borrowing. This result is exactly as predicted by the author and is completely consistent with the Pecking order theory as well as previous studies (Sufian, 2019; Le, Bui and Le, 2020; Ibrahim and Ariba, 2021; Duong, 2021).

Regarding to the Pecking order theory, Tangibility and Liquidity have invert relationship with leverage. Normally, enterprises with high fixed assets will increase debt because enterprises increase assets to secure loans, but in fact, the results show that enterprises invest in fixed assets mainly by retained earnings or increasing owner's equity. owning, not prioritizing the use of borrowed capital. Whilst, firms with high liquidity will use less debt because they do not need to borrow for their current payments (Tasneem and Atif, 2020 and Duong, 2021).

In the other hand, shares held by foreign individual or foreign party to total shares outstanding is a new factor to be tested in this study, so there is not much theory or previous research to evaluate. However, it still shows its potential when it comes to having a negative impact on capital structure. This factor needs to be interested and studied more deeply in the future.

5. CONCLUSIONS

The study was conducted to evaluate the factors affecting capital structure in the case of listed consumer discretionary companies on HOSE in the period 2016-2020. Enterprises in this industry have a relatively high debt ratio and mainly short-term debt to supplement working capital needs and finance fixed assets, long-term debt averages 7.7%. This is really bad as it can lead to the financial imbalance of the business.

Tangibility, ownership and liquidity negatively correlated with debt ratio. In addition, the higher debt level led the lower of profitability. Meanwhile, the size of the business is positively and statistically significant with capital structure. The study once again proved the pecking order theory, and served as a basis for financial managers to build a reasonable capital structure for enterprises.

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CURRENT STATUS AND TRENDS IN THE USE OF ARTIFICIAL INTELLIGENCE (AI) IN ACCOUNTING

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Abstract: *In 1956, at the University of Dartmouth seminar in the United States, John McCarthy and other computer experts first proposed the concept of “artificial intelligence” (AI)². Deloitte Touche Tohmatsu, one of the world’s top auditing organizations, formally announced the introduction of AI into the accounting, tax, and auditing fields in 2016³. In 2017, the Chinese government’s report on boosting the application of AI in national strategy, titled “New Generation Artificial Intelligence Development Plan,” emphasized the need to develop and transition to AI technology, with the goal of combining AI and the diversity of technologies to promote AI adoption⁴. AI has made enormous advances throughout the course of its growth, eventually becoming firmly embedded in many sectors of life. Accounting is always required for any sort of entity that has been impacted by AI. As a result, the article’s content will center on the use of AI in accounting.*

Key words: *AI, Artificial Intelligence in Accounting, Accounting, Machine learning in Accounting.*

1. BASIC CONCEPTS OF ARTIFICIAL INTELLIGENCE (AI), MACHINE LEARNING, BIG DATA AND DIGITAL ACCOUNTING

1.1. Artificial Intelligence (AI)

Artificial Intelligence is the broader concept of machines being able to carry out tasks in a way that we would consider “smart”.⁵

Artificial Intelligence is a broad name for computers solving problems on their own. Such computers are often based on neural networks. Neural networks resemble the structure of the human brain and can reorganize themselves for better accuracy and efficiency. This way, we try to build a real computer brain that will solve problems faster and more efficiently than human beings.⁶

Artificial intelligence (AI) is a subfield of computer science. Human-created intelligence with the objective of assisting computers in automating intelligent actions similar to humans.

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2 [Wang, Y.J. (2017) Discussion on Artificial Intelligence and Future Business Model. China Journal of Commerce, 17, 132-133. (In Chinese)]

3 State Council (2017) Notice of the State Council on Printing a New Generation of Artificial Intelligence Development Plan. Central People’s Government of the People’s Republic of China

4 Zhang, M. (2016) Will Accountants and Tax Agents Be Replaced by Robots After Deloitte Introduces Artificial Intelligence? Wallstreetcn. <https://wallstreetcn.com/articles/231439>

5 <https://bernardmarr.com/what-is-the-difference-between-artificial-intelligence-and-machine-learning/>

6 <https://www.ideamotive.co/blog/artificial-intelligence-in-accounting>

Specifically, AI enables computers to have human-like intelligence, which is the ability to think and reason in order to solve problems, communicate through comprehending language and voice, learn and adapt¹

AI allows machines (bots) to learn from experience, interpret information, make adjustments and apply what they “know” to perform human-like tasks. When machines “understand” information, they can actually “think” of the implications of that data and analyze it with machine reasoning. Computers use natural language processing based on their understanding of human speech. They “recognize” people, activities and objects, and “view” images with computer vision; an example is the way the iPhone X recognizes the face of its user²

1.2. Machine Learning (ML)

Machine learning (ML) is a branch of artificial intelligence that focuses on the research and development of techniques that enable computers to “learn” automatically from data in order to solve specific problems. Machines, for example, may “learn” how to categorize email messages as spam and automatically place them in the appropriate folder. Although the nomenclature is different, machine learning is quite similar to statistical inference. Machine learning is closely connected to statistics in that both areas examine data analysis, however machine learning, unlike statistics, focuses on the complexity of algorithms in completing computations. Because many inference issues are classed as NP-hard, machine learning includes the study of the creation of approximation inference algorithms that can be handled. Machine learning is currently widely utilized in a variety of applications, including as medical diagnostics, fraudulent credit card identification, stock market analysis, DNA sequence classification, voice and handwriting recognition, automated translation, game play, and robot motions.³

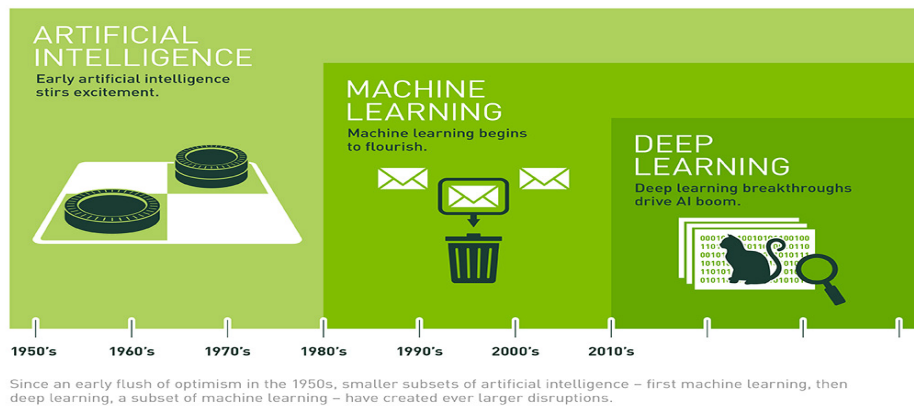
Machine Learning involves computers that can recognize patterns in data and learn from them. There are two types of ML, namely unsupervised and supervised Machine Learning. In unsupervised ML you feed your computer with data, ask questions, and wait for data analysis and results. For supervised ML you add one more step when you give the computer additional knowledge. For example, you indicate that this batch of documents is fraudulent, and the other one is clear. Then, in the process of Machine Learning, the computer looks for patterns to distinguish one kind from another. These technologies are trained to interact with the outer world as well. Natural Language Processing (NLP) provides computers with the ability to understand and interpret human language, written or spoken. How difficult a task it is, you can tell by observing children who learn to speak. To teach computers to look at things like humans, we use Computer vision so that they could analyze images and conclude. Therefore, nowadays, documents, videos, and images can be analyzed by AI as well.

1 <https://www.dienmayxanh.com/kinh-nghiem-hay/tri-tue-nhan-tao-ai-la-gi-ung-dung-nhu-the-nao-tro-1117277>.

2 <https://mticollege.edu/blog/business/accounting-technician/artificial-intelligence-accounting/>

3 https://vi.wikipedia.org/wiki/H%E1%BB%8Dc_m%C3%A1y

A comparison between AI and Machine Learning¹



(Source: <https://machinelearningcoban.com/2016/12/26/introduce/>)

1.3. Digital Accounting (DA)

Digital transformation is simply understood as the process of transforming the structure and organization of an enterprise from a traditional model to a modern one, with the application of new and modern technologies such as Big Data, the Internet of things (IoT), cloud computing (Cloud), solutions to support Marketing automation, etc. The goal of digital transformation in companies is to enhance the efficiency of company operations, deepen customer connections, and expand the market capacity of firms. Although there are numerous digital transformation concepts available today, they all reflect the essence of digital transformation, which is “*the process of applying digital technology to all areas of an enterprise in order to change operating methods, business models, and provide customers with new and best service experiences.*” Furthermore, digital transformation adds to altering company culture, which necessitates creativity and process innovation in order to swiftly approach the trend of the times. Similarly, in the accounting field, digital transformation can be defined simply as “*the application of digital technologies to accounting operations, allowing accounting operations to be implemented more quickly and efficiently while still optimally saving human resources, time, and business costs*”. Many accounting firms are presently utilizing digital technologies such as electronic invoicing software, electronic accounting software, electronic sales software, and electronic office software².

1.4. Big Data (BD)

BD is something of a catch-all term that refers to the vast increase in information that’s being created and pumped into the world, as well as the tools, techniques, and methodologies that have been developed to make use of it. Big Data was first identified as a powerful force for change around the time the internet started to become a tool for everyday life, rather than a niche project largely confined to government, academia, and the military. A key concept to understand in order to “get” what is meant when we talk about Big Data is that it’s about far more than the size of the

¹ <https://www.ideamotive.co/blog/artificial-intelligence-in-accounting>

² <https://einvoice.vn/tin-tuc/chuyen-doi-so-he-thong-ke-toan-doanh-nghiep-va-vai-tro-cua-hoa-don-dien-tu>

data. An early attempt at defining it suggested that there were three “Vs” that have to be present for a data project to be considered Big Data – volume, variety and velocity. Other important concepts to understand include the difference between structured data (information such as numbers that fits nicely into database tables and structures) and unstructured data (information like pictures, video, and speech, that doesn’t).

A comparison between BD and ML¹

BD and ML are two exciting applications of technology that are often mentioned together in the space of the same breath. In reality, there are important distinctions that need to be understood when we are making decisions about our business data strategy.

Both terms refer to fields of academic study as well as practical business applications that are rooted in data science. This is the branch of science concerned with information and how we can use it to achieve goals. Today, data is often described as the fuel (or oil) of the information age. It’s what powers our ability to build tools and platforms that can change the world through analytics and increasingly accurate modeling and forecasting.

2. IDENTIFYING AI AND AI IN ACCOUNTING

2.1. Identifying AI

AI is classified into four major types²

Type I AI: Reactive Machine: Reactive Machine is capable of assessing the most probable movements of both itself and the opponent and then proposing the best solution. Deep Blue is a nice example of a reactive machine. This is an IBM-created automated chess software that can recognize movements and anticipate the opponent’s future moves. Deep Blue makes the best decisions as a result of this.

Type II AI: Limited memory: The capacity to utilize past experiences to create future decisions is a characteristic of AI technology with limited memory. This AI technology is frequently combined with environmental sensing in order to forecast potential scenarios and make the best decisions for the device. For example, numerous sensors are installed around the car and at the front of the car to measure the distance from the automobiles in front, and AI technology will estimate the possibility of a collision, changing the vehicle speed properly to keep the vehicle safe.

Type III AI: Theory of mind: This AI technology can learn and reason by itself, and then apply what it has learned to do a specified task. This AI technology has not yet shown to be a feasible alternative.

Type IV AI: Self-awareness: This AI technology is capable of self-awareness, consciousness, and human-like behavior. They can even convey and comprehend human emotions. This is considered the most advanced stage of AI technology, and it is currently not viable.

1 <https://bernardmarr.com/should-i-choose-machine-learning-or-big-data/>

2 <https://mticollege.edu/blog/business/accounting-technician/artificial-intelligence-accounting/>

2.2. Will AI replace accountants?

AI can accomplish many of the tasks that accountants do, and while certain lower-level positions may be affected, AI will not replace accountants. Accountants can, in fact, fully participate in the advisory roles while performing their regular duties. They'll be able to focus on strategy, process improvement, cost control and capital optimization and will still have control over sensitive information. AI and the cloud work together to compute massive amounts of data in a very short period of time, this service streamlines operations by saving time, cutting costs, increasing productivity and providing more accurate results. Perhaps the greatest impact, however, is the change in mind-set that AI brings. Accountants are becoming very tech-savvy and are embracing the AI tools.¹

Accountants have to sift through enormous amounts of data to do their jobs when AI is introduced, it can eliminate some of the mundane tasks that accountants must do. For example, it can digest and analyze large volumes of data at faster-than-human speeds, interpret contracts or deeds, extract key terms and analyze them, and occasionally solve problems that couldn't be solved before. For example, if an accounting firm is tasked with complex issues regarding billing systems of multiple clients, AI's machine learning can rifle through the data and flag the problem accounts, even if the systems are disparate. For compliance considerations, AI provides accountants with reliable, fast data each time they generate a report, maximizing efficiency. In terms of data categorization, AI bots can sift through information and place it into the appropriate accounts because it understands the differences in categories. Machines begin to learn to make better decisions based on human input, and they can even adapt to an accountant's behavioral patterns.²

3. WHAT ARE THE BENEFITS OF AI IN ACCOUNTING?

We'll start with general ideas on how AI can be used in accounting in the following aspects³:

+ Frauds: computers can support fraud detection and prevention by analyzing patterns and monitoring every document within the company. They can check for accordance with accounting rules and laws. AI may then flag all the issues for humans to double-check.

+ Hidden insights: in general, AI is capable of discovering hidden patterns, trends, and insights giving your company a business advantage over your competitors. The insights are also better and can be delivered on time to make quick and data-based decisions.

+ Better forecasts: forecasts help plan strategical operations. Having better and deeper insights combined with Machine Learning algorithms creates an opportunity for better and more reliable forecasts. Knowing what will probably happen is invaluable.

+ Data input automation: multitude of accounting employees work on data input and review. However, AI can read, analyze, and process all the documentation. And it won't make a mistake. Even more, it can ask for data completion, if needed or flag issues for further inspection.

1 <https://mticollege.edu/blog/business/accounting-technician/artificial-intelligence-accounting/>

2 <https://mticollege.edu/blog/business/accounting-technician/artificial-intelligence-accounting/>

3 <https://www.ideamotive.co/blog/artificial-intelligence-in-accounting>

+ Due date: This issue falls in between accounting and marketing. AI can help establish invoice due time individually for every contractor and identify those who have problems paying on time.

+ Close procedure: AI can support or even replace humans in monthly or quarterly close procedures. It could even simultaneously prepare the close procedure throughout the period.

+ Better audits: AI can audit 100% of a company's documents instead of checking just a sample as humans do. It makes audits more accurate and efficient. Imagine knowing not statistically, but exactly, what happens in your company.

+Risk assessment: AI benefits from quick access to all the possible data and sophisticated predicting models. Based on what AI has learned from people, it'll enhance risk identification and prevention.

We all know that new technology changes the way people work in every industry and nowadays we are also getting to see all this. While working with AI companies, customer expectations are also changing. It is true that artificial intelligence can help accountants to be more productive and efficient. An 80-90 % reduction in the time it takes to perform tasks will allow human accountants to focus more on their clients. Adding artificial intelligence to accounting functions will also increase quality. AI provides real-time status of financial matters as it processes documents using natural language processing and computer vision, compared to making daily reporting more possible and affordable. Accounting has many internal corporate, local, state and federal regulations that must be followed. AI-enabled systems help support auditing and ensure compliance by monitoring documents against rules and laws. If seen, fraud collectively costs companies billions of dollars every year. AI helps prevent potential fraud issues or suspicious activity.¹

The future of accounting²

The truth is probably that you will get the best results by understanding and choosing the most relevant processes and practices from both disciplines. AI will explore launching innovation and re-evidence resources in order to execute current business environment changes and adjust management needs. Intelligent systems can benefit practical accountants by providing capabilities that can solve three basic problems: supporting decision making by providing better and cheaper data; providing more data analysis and new ways of seeing business; and providing more data analysis and new ways of seeing business; focusing on responsible values when applying AI.

4. SOME FUTURE PERSPECTIVES TOWARDS ACCOUNTING PROFESSION³

4.1. What is the potential for displacement of accounting job tasks due to AI applications?

As stated earlier, the right approach for assessing the potential for job displacementisto analysethetask content of the accounting work. Undoubtedly some tasks can and probably will be substituted by the smart systems and the right question is when and to what extent. The current

1 <https://www.mindspaceoutsourcing.com/role-artificial-intelligence-accounting/>

2 <https://bernardmarr.com/should-i-choose-machine-learning-or-big-data/>

3 Journal of International Scientific Publications (2018), How artificial Intellegence is Challenging Accounting Profession, ISSN 1314-7242, Volume 12, 2018

research and implementation projects are insufficient in light of the recent AI advances and AI capabilities for solving real-world accounting problems. We will give some insights on recent accomplishments based on ICAEW IT faculty study on AI and the future of accountancy.

+ Bookkeeping is the most routine, time-consuming and unquestionably susceptible to automation part of the accounting work. The logic behind double entry system enables the specific coding of accounting entries. Complex business transaction is easily disaggregated, described in accounting terms and recorded into the ledgers. The process can be fully automated by using the machine learning technologies. The accuracy of accounting data will be improved as well as the timing of recording, as Diagram 1.

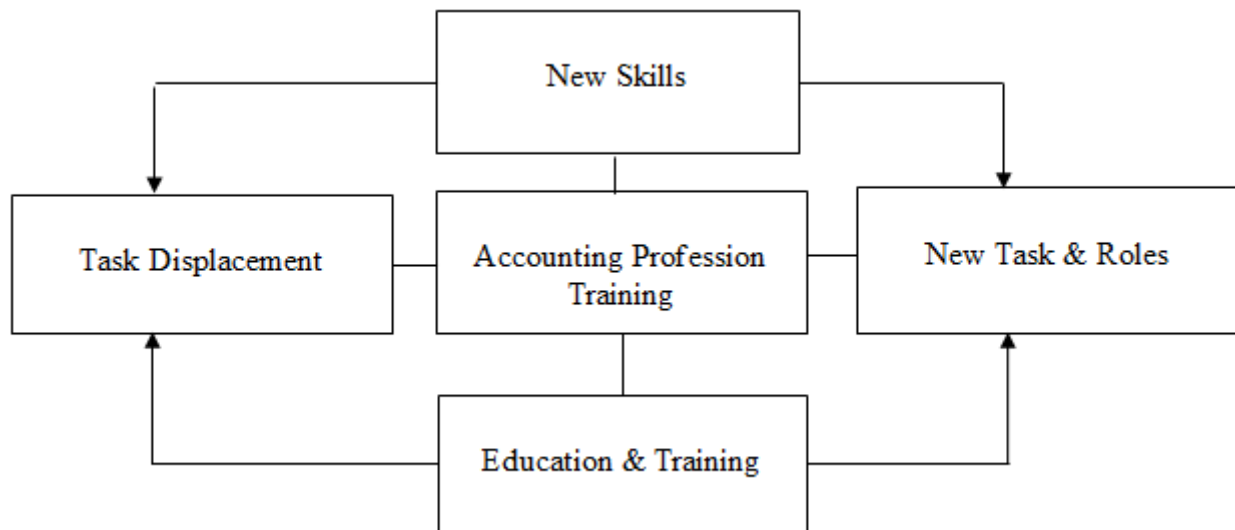


Diagram 1. The relationship of of accounting work and factors

+ Fraud prevention and detection is another area where AI applications are possible and desirable. Machines cannot be tempted with money or power as they are driven by predetermined rules and act straightforwardly. There are many examples of deliberate human decisions and actions that are damaging to companies. Asset theft, tax avoidance, skimming of cash, cash larceny and financial statement falsification are only few from many common examples. Fraudulent activities are predictable and identifiable due to the easy machine learning modelling of “normal” activities.

Another job task where AI is likely to be beneficial is the revenues forecasting. In time

of uncertainty, information asymmetry and inherent risks, forecasting is not an easy work activity despite currently applied models and techniques. The accuracy of the revenues forecast is crucial for an operations budget and all other budgets derived from it. The use of predictive models, based on machine learning algorithms, can improve quality of the forecast data and consequently the processes of budgeting and strategic management. On the other hand, accountants must pay special attention to the quality of the data set being used for the forecasting and planning purposes because of the risk of inherent biases. They have to exercise due care when providing the data for the models.

+ Financial accounting and reporting are another area with great potential for automation. It is worth mentioning that even in 1980s and 1990s some expert systems were in use, mainly

for cash flow evaluation, analysis of business combinations, accounting treatment for leases and analysis of financial reports for regulatory purposes. In the early research financial statements were represented as sets of interrelated cross-sectional equations and ESs technologies were applied. As stated by Yang & Vasarhelyi, ESs were suitable for supporting the financial accounting domain as they "can greatly enrich this axiom and provide the basis for many types of metaphors". A practical challenge is the increasing number of regulations that need to be transformed into if-then rules and decision trees suitable for AI algorithms.

+ Analysis of large amounts of unstructured data comprising emails, contracts, graphs, videos, blogs, etc. can be substantially improved by application of deep learning models. Big data sets could provide new insights on businesses leading to better decision-making and strategic business solutions. Because of their diverse and complex nature and large volume, they require special technologies but also new job skills for big data analytics. Accounting professionals are challenged to build such skills through proper education and training. The lifelong learning concept is the key for successful adaptation to the constantly changing competence requirements.

4.2. What additional skills do accountants need in a world with AI?

Enterprises are going to need accountants with more diverse skills. Those who are familiar with technology and are not afraid of it will be more valuable than those who shy away from it. Having a strong background in data management will be extremely helpful. Learning accounting software such as Intuit, OneUp, Sage or Xero will put them at an advantage. Other in-demand accounting technology skills include:

- + Advanced knowledge of Excel
- + ERP experience, such as SAP or Oracle
- + Microsoft Visual Basic skills
- + Knowing Hyperion for analyst and financial reporting
- + Knowledge of big data analysis

In addition to being tech-savvy, accountants should have excellent customer service skills and be good communicators.

4.3. What are the new skills required of accountants to benefit from deployment of AI technologies and create more value to the businesses?

The analysis of job-tasks displacement shall be accompanied by corresponding study of practical challenges facing the accounting profession and more precisely the new required skill set for performing activities in the rapidly changing environment fuelled by digital technology and increasing information processing power. The fast transformation in the business landscape due to AI applications resulted in situations where new smart technologies were integrated into business and accounting software and many accountants encountered them without realising their logic, capabilities and full potential. One of the most required skills is the technical expertise in machine learning and the depth of knowledge depends on the organisation's size, investment policy and innovation strategy. Despite these factors, it is important for accountants to understand

the significance of quality of the used data. Machine learning implies recognition and application of patterns based on existing data points or examples, deriving own algorithms and refining them in time. "Teaching" the computer by using data sets requires special attention to their quality as mentioned earlier. Internal control procedures should be implemented to mitigate the risk associated with the inherent biases and other limitations of AI applications.

Among the technical skills are the big data analytical skills as "there is an increasing focus on Big Data for the accounting profession". As stated by Ellis King, the manager of a global professional services recruitment company, Morgan McKinley, there is a big shift in the required skills for entering the labour market and big data analytics plays a central role. Even young and less experienced accountants are expected to be creative with data and produce useful analysis thus contributing by forecasting potential growth, new markets or competition. Machine learning "also benefits from having very large data sets - the more data points there are, the more times the model can run, learn and test the accuracy of its results". The report published by the Association of Chartered Certified Accountants (ACCA) and the Institute of Management Accountants (IMA) (2013) acknowledges that there are three important contribution areas: valuation of data assets, use of big data in decision-making and use of big data in the management of risk and accountants must be well trained to gather and analyse structured and unstructured data in order to "seize the opportunity to become champions of big data as a source of evidence to support decisionmaking and help to redefine how business is done". In its report "Big Data and analytics-what's new?" ICAEW affirms that accounting professionals can enhance their contribution to businesses by making use of big data and analytics, such as: "using predictive models and other sources of data to improve budgeting and forecasting; using more sophisticated outlier and exception analysis to improve internal control and risk management; improving the efficiency and quality of audit activities through analysis of whole data sets". Because of their natural prudence and scepticism, they can also contribute by testing and improving the quality of data. However, they need to be equipped with sufficient theoretical knowledge and practical skills in statistics to communicate professionally with the other parts of the business.

In addition, communication skills and critical thinking will become increasingly important in the AI age. According to Jazaie, among the 10 most important communication skills for accountants are: presentation skills (storytelling), credibility, confidence, friendliness, eye contact, understanding people's point of view and ability to give and receive feedback. On the other hand, critical thinking skills have been "widely accepted as a key requirement for success in most practical and professional spheres, not just accounting", since at least the 1980s. The ability to think critically was even then considered as a prerequisite for a successful transition from the classroom to the professional workplace. The development of critical thinking needs to become a main objective in the accounting education.

Leadership skills will become more important with the changes of accounting roles. As the professionals increase their participation in company's strategic management and collaboration and partnership with other parts of the organisation, certain types of leadership will become indispensable. Among them are: strategic and organizational leadership; coaching and mentorship; a strong sense of ethics and cross-functional leadership.

4.4. What are the new accounting roles and tasks across organisational boundaries?

According to Gamage, one of the shifts in accountants' roles is a response to their intensive work with data analytics. Complemented by business awareness and understanding, and strong numeracy skills, accountants' capabilities are well placing the profession across organisation boundaries. Moreover, AI is accelerating this trend. Some of the existing accounting roles will expand due to the increase in collaboration and partnership with other parts of the organisation. Accountants' competences in machine learning and data analytics will be valuable as they can provide support to other employees in understanding the complex models and deriving the right meaning of data. In addition to changes in some of the current accounting roles, new job tasks will arise. For instance, the research carried out by ICAEW highlights that "accountants will need to be involved in training or testing models, or auditing algorithms in projects to help frame the problems and integrate results into business processes, in managing the inputs or outputs, such as exception-handling or preparing data".

Gamage affirms that due to their data analytical skills and financial modelling skills, accountants can play more strategic and proactive roles in their organisations. An interesting conclusion was drawn by ACCA and IMA in their joint report. The two professional bodies predict that in the future accounting profession will be transformed into some kind of professional hybrid, as shown in figure 3, due to the interaction of finance, technology and information skills and competences. Accountants can increase their participation in the decision-making process, strategic management and problem solving. Their contribution as internal consultants giving advices to company's management will be valuable as well as their increased social role of building and strengthening relationships in the organisation.

4.5. Are accounting educators ready for the AI challenge?

Accounting educators are also challenged by AI augmented application. They are experiencing high pressure from the international professional accounting and accrediting bodies to enhance the technological content of accounting courses, including but not limited to machine learning, big data and analytics. Obviously, universities have to play an important role in this process as initiators for curricula review and relevant implication tests. The provocative questions of how to adapt curricula and syllabi to the current labour market requirements and employers' expectations from graduates and how to develop the new skill set for the jobs of the future were raised. For example, in regard of the increased focus on big data and analytics for the accounting profession, the Association to Advanced Collegiate Schools of Business (AACSB) states the following in its Accounting Accreditation Standard 7: "The dynamic nature of IT developments related to data creation, data management and processing, data sharing, data analytics, data mining, data reporting, data security, and storage within and across organizations is critical for the development of emerging professional accountants. The underlying learning experiences for accounting graduates demand an interdisciplinary approach that draws input from professionals and academic scholars with expertise in information systems, statistics, computer science and engineering, ethical issues related to IT and "big data," etc. The focus should not be on "accounting information systems" only, but on information storage, management, and analysis for accounting graduates, as figure 2.

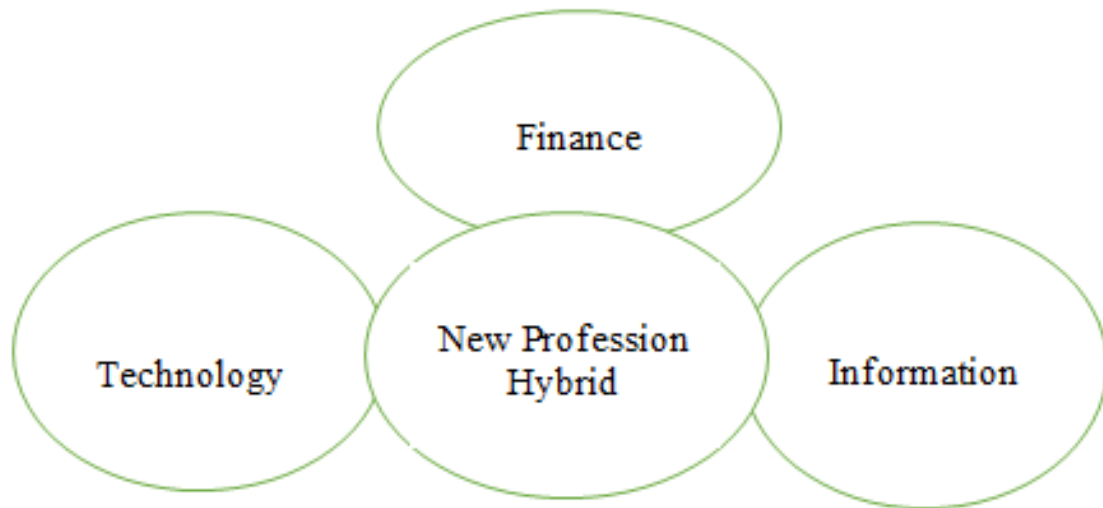


Diagram 2. Accounting work in term of AI

Obviously, the interdisciplinary approach should be applied across the curriculum and accounting educators are responsible for the timely response. Knowledge and skills in AI and data science should be considered as a must not as a desirable competitive advantage. For instance, one practical problem is that big data is tied to many disciplines. The ever-existing gap between universities and accounting practice has to be overcome in the era of smart technologies. Collaboration and partnership between accounting educators and industry are prerequisites for the successful accounting career of graduates. One of the pioneers among universities, already integrated big data and analytics into the accounting coursework.

Additionally: The article was submitted in two languages (Vietnamese and English) to the National Conference “*Contemporary issues in accounting, auditing, and corporate finance in the digital economy*” and the International Conference “*International Finance and Accounting Research Conference 3*” to provide a forum for exchange and comment in order to improve knowledge and article content.

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IMPACTS OF PUBLIC EXPENDITURE ON PRIVATE INVESTMENT – POLICY IMPLICATIONS FOR VIETNAM

PhD. Pham Thi Thanh Van¹

Abstract: *Public expenditure and private investment are both critical components in the process of economic growth. Concurrently, economists have found that public expenditure affects private investment. Public expenditure is an important source of capital to invest in a country's socio-economic - technical infrastructure, thereby creating the initial foundations for a favorable business environment, contributing to attracting investment capital of the sectors, especially the private sector. Specifically, the government pours capital into the areas of basic research, public health, education, and infrastructure to build economic, technical and social infrastructure. From the macroeconomics perspective, it brings long-term growth of potential output, making investors more optimistic about the prospects of development, leading them to continue to invest. However, it cannot be denied that in some cases, public expenditure still reveals its weaknesses. Problems related to scale, spending structure, transparency, efficiency... are frequently mentioned when it comes to public expenditure, sometimes limiting private investment. This study focuses on answering the question of how public expenditure affects private investment in Vietnam, and what possible policies can be used by the Government of Vietnam to enhance the positive impact of public expenditure on private investment in the near future.*

Keywords: *public expenditure, private investment, the crowding in effect*

1. INTRODUCTION

Many economic theories have proven that public expenditure is one of the important sources of capital in the process of economic growth. In the process, public expenditure also affects another factor of the economy, which is investment by the domestic private sector. The relationship between public expenditure and private investment has attracted a great deal of research interest. The question is, can private investment (domestic private sector investment, excluding FDI) be amplified by positive effects (the crowding out effect) or attenuated by negative effects (the crowding in effect)?

From a research perspective, many economists around the world agree with the positive effect on private sector investment from public expenditure (Aschauer, 1989; Blejer and Khan, 1984; Ghura and Goodwin, 2000); Blanchard and Perotti, 2002; Erden and Holcombe, 2005; Gjini and Kukeli, 2012). This can be explained in the sense that public capital is seen as a complementary factor of production that increases the marginal productivity of private capital. Therefore, the

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relationship between these two factors takes place in the same direction, that is, public expenditure stimulates private investment to increase.

From practice, the impact of public expenditure on private investment has been shown quite clearly. On the one hand, many assessments show that public expenditure is an important source of capital to invest in a country's socio-economic - technical infrastructure, thereby creating the initial foundations for a favorable business environment, contributing to attracting investment capital from the regions, especially the private sector. Government spending also contributes to support and revive the economies of countries in general and the private sector in particular to escape economic problems, especially in the period after the East Asian financial crisis 1997, 1998 and the economic downturn accompanied by double-digit inflation in 2008. For example, Vietnam's GDP growth rate tends to follow a straight line, from the post-crisis low of 5.25% in 2012 to the highest level in the past 10 years with 7.08% in 2018. At the same time, the private sector is also growing to the point that Nakao (2020) has affirmed the success of the economies. Emerging and developing Asia relies heavily on markets and the private sector as growth engines. The positive signals of emerging and developing economies in Asia come from the contribution of many policies, including public expenditure. Therefore, the positive role of public expenditure on private investment is always confirmed. Considering many aspects, from theory, research, to practice, whether from the perspective of policy makers or researchers, we should also evaluate the impact of public expenditure on private investment for a more in-depth look at the impact of public expenditure in Vietnam. How should the state spend to both perform its functions and promote the development of the private sector..., thereby providing reasonable solutions for public expenditure policies in Vietnam.

2. LITERATURE REVIEW AND PREVIOUS RESEARCH STUDIES

Discussing the relationship between government spending and private investment, is mentioned quite a lot in articles and researches, both at home and abroad. Many empirical studies such as Aschauer (1989), Blejer and Khan (1984), Ghura and Goodwin (2000), Blanchard and Perotti (2002), Erden and Holcombe (2005), Gjini and Kukeli (2012) confirm public capital will support private business activities. Gjini and Kukeli (2012) when assessing the case of 11 Eastern European countries in the period 1991 - 2009 confirmed that there was no crowding out of private investment from the side of public expenditure. Although also divided into developed and developing countries, these authors find only a positive marginal effect of public expenditure on private investment, although this effect varies by level of development of the group of countries. Changing the subject to 39 low-income countries from 1980 to 2012, Eden and Kraay (2014) measure the impact of government spending on private investment using constant elasticity (CES - Constant Elasticity of Substitution) of the production function. The Two-Stage Least Squares method shows a positive externality from government spending to private investment, specifically, each dollar increase in capital from the public sector will stimulate private investors to pour 1.88 USD more. In other words, positive externalities were shown in this study. Focusing on the group of developed countries, Afonso and Miguel (2008) applied the Vector Autoregression model to the data of 14 European countries combined with the US, Canada and Japan for the period 1960 - 2005 (observation length varies from country to country). This study evaluates the impact of public investment on private investment through the rate of return of each type of investment capital.

From the impulse response functions, the estimation results show that the synergistic effect of public investment on private investment is predominant.

In the Vietnamese context, the authors also find the impact of public expenditure on private investment and mainly a complementary effect. Dao Thi Bich Thuy (2014) finds that the additive effect of public expenditure on private investment is reflected in the boosting effect of government spending on productivity in the private sector. In a recent study, Su and Bui (2016) used the Generalized Method of Moment model to analyze panel data of localities in Vietnam. At this point, the complementary relationship of budget expenditure to private investment from 2005 to 2013 has been demonstrated. In particular, these two factors interact in a nonlinear fashion. That is, government spending will initially promote private investment. However, when budget spending exceeds 17.5% of GDP, it will shift to crowd out private investment. This inverted U-shaped relationship is also an interesting finding of the study. Vietnamese authors often consider the impact of public expenditure on private investment in economic growth models (Dao Thi Bich Thuy, 2014), or often revolve around time series data sources (Su Dinh Thanh, 2013; To Trung Thanh, 2011). If panel data are used, it is only in the provincial data for Vietnam (Su and Bui, 2016). This study focuses on answering the question of how public expenditure affects private investment in Vietnam, and what possible policies can be used by the Government of Vietnam to enhance the positive impact of public expenditure to private investment in the near future.

3. METHODOLOGY AND PROPOSED MODEL

This study uses a qualitative approach to examine the impact of public expenditure on private investment in Vietnam. The main methods of qualitative analysis used in this study are process-tracing, descriptive inference and situational analysis. When researching by process-tracing method, the author will search, select and analyze some evidence about the research object. These evidences are causal-process observations, or in other words, observable manifestations of the research subject and a number of related factors. Specifically, it is a characteristic description of public expenditure, private investment, factors affecting private investment, especially public expenditure. These observations may contain underlying cause-and-effect relationships. From one observation to another and so on, through the observations, the author will conduct an analysis to contribute to clarifying the proposed hypothesis about the impact of public expenditure on private investment. The process of implementing this method will be carried out simultaneously with the descriptive and analytical reasoning method. To ensure the quality of the qualitative analysis, in the process of inference and description, statistics as well as some specific situations related to the relationship between public expenditure and private investment are selected based on the criteria to ensure unbiased, efficient and consistent by means of highly representative and similar samples. Contrasting figures and situations are selected to clarify developments and salient features in the relationship between public expenditure and private sector investment. The analysis of the situation is mainly in terms of two comparative aspects of time and space. In addition, the key case for analyzing the impact of public expenditure on private sector investment is in the infrastructure sector. Based on an overview of theoretical and practical bases, infrastructure clearly shows the connection between public expenditure and private investment.

4. RESEARCH RESULTS

Based on the IMF's view, public expenditure is all government expenditures and net expenditures on non-financial asset investments (such as the acquisition of fixed capital assets, strategic shares, land and intangible assets). Specifically, it is government expenditures financed by the state budget, including all expenditures by government levels from central to local levels to cover funding for government activities, from nurturing the public sector apparatus to providing public goods and services. The role of public expenditure is as a tool to effectively allocate resources, create infrastructure for the economy - society, provide public goods, maintain a safe society and to fill in the gaps that private investors cannot invest, to lead and guide private investment activities.

Private investment is expenditure by the private sector, including private nonprofit organizations, in addition to domestic fixed assets. In more detail, private investment can be understood as the purchase of capital assets by the private sector with the expectation of generating a larger amount of income and value in the future. There are factors affecting private investment such as interest rates, credit for private investment, economic growth, inflation, human resources, trade openness, political stability... in particular is the public expenditure factor. Public expenditure can have a positive effect on private investment, meaning that each increase in public expenditure leads to an increase in private investment. Specifically, the government pours capital into the areas of basic research, public health, education, and infrastructure to build economic, technical and social infrastructure. From a micro perspective, this activity helps reduce initial investment costs, creating favorable conditions for attracting private capital. From the macroeconomics perspective, they help bring about long-term growth in potential output, making investors more optimistic about the prospects for development and continuing to pour capital (Aschauer, 1989; Keynes, 1936).

Total public expenditure in Vietnam in absolute terms has increased over the years along with the socio-economic development of our country, starting from VND 262.7 trillion in 2005, to 1,754.5 trillion in 2019. The scale of public expenditure in the period 2011 - 2015 reached VND 6,324.5 trillion, more than 2 times higher than the period 2005 - 2010. In the period 2016 - 2020, public expenditure tripled the size of public expenditure of the country in the period 2005-2010. Particularly in 2020, fearing the impact of the Covid-19 epidemic on budget revenue and national financial security, recurrent expenditure activities have been adjusted down through cutting non-urgent expenses (conferences, business trips, etc.). Total public expenditure from the beginning of the year to December 15, 2020 was estimated at VND 1,432.5 trillion, down compared to previous years, of which recurrent expenditure reached VND 966.7 trillion; development investment spending 356 trillion dong; debt payment interest 98.8 trillion dong. Although the scale of public expenditure increased, the growth rate has improved in a decreasing direction, in particular, the period 2014 - 2019 reached 8.5%, a sharp decrease compared to the average growth rate of 18.3% in the period 2008 - 2013. 2008 - 2013. The difference in the growth rate of public expenditure between these two periods is partly due to the fact that in the period 2009 - 2012, the Government expanded spending to support the economy in the post-2008 world financial crisis. Entering the period 2014 - 2019, the Government accelerated the restructuring of public expenditure to reduce the budget deficit and the national public debt, leading to a significant decrease in the growth rate of public expenditure, showing that the policy Restructuring spending and public investment has had initial successes (Do Thi Thanh Huyen and Nguyen Thi Thu Huyen, 2021).

Regarding the structure of public expenditure, there is a change in the trend of increasing the proportion of recurrent expenditure and decreasing the proportion of expenditure on development investment. The growth rate of recurrent expenditure is also much higher than the growth rate of investment spending. In the period 2005 - 2010, investment and development expenditure accounted for 31%, but in the period 2011 - 2020 decreased to an average of 26%. Meanwhile, the proportion of recurrent expenditure increased from 50.1% (2005) to approximately 60%, peaking at more than 65% of the total budget expenditure in 2014 and 2017 (higher than the target of the 5-year financial plan). For the period 2016 - 2020 is to reduce the proportion of recurrent expenditure to less than 64% of the total state budget expenditure). The structure of recurrent expenditure has not yet ensured the set target, although spending on human development areas such as health, education and science and technology has been given priority in recent years, but salary and administrative expenses have not been met. The state itself is still the two sources of expenditure that account for the highest proportion of total central budget expenditure.

Up to the present time, it must be affirmed of great importance, taking on the core role of the private sector in the Vietnamese economy. The private economy has shown its influence in such aspects as: contributing to socio-economic development, promoting the establishment of business ecosystems, creating jobs... The proportion of GDP of the private sector always accounts for more than 42% of the country's total GDP, whether in a period of economic prosperity or recession. At the same time, the amount of investment capital of this area every year increases in a straight line and tends to increase very quickly in the following period. Before 2014, the amount of investment capital of the public sector often ranked first in the country; some years private capital outperformed but not significantly. However, from 2015 onward, the amount of private capital began to accelerate and outstripped public sector capital. This has been achieved thanks to the efforts of the government to create an open business environment, encourage enterprises to invest capital, promote the start-up movement, etc. In addition, the economic situation has improved. It is also an important factor promoting investment activities of enterprises of all economic sectors.

In Vietnam, infrastructure is mainly invested by capital from the state sector; including hard infrastructure such as roads, airports, wharves, electricity, water, telecommunications infrastructure...; and soft infrastructure such as education, health care,... However, the government cannot fully finance the investment needs of the infrastructure sector. The main reason is because the budget is limited, if investment continues, the debt problem will be raised and public debt will become more difficult. Therefore, expanding the scope of capital mobilization beyond the state budget is a must. In recent years, the restructuring of public capital has gradually reduced the proportion of this item in GDP, creating more room for investment activities of the private sector. As a result, up to now, there have been about 150 investment projects in the form of Private - Public Partnership with an investment value of more than 1 million billion VND (Huong Diu, 2019). It is worth mentioning not only that public expenditure opens up more opportunities for the private sector to pour capital into infrastructure. Importantly, the more adequate infrastructure has created a competitive advantage for Vietnam, thereby attracting private investors to increase capital contribution.

In addition, it is impossible not to mention the positive influence of public expenditure when the economy falls into uncertainties. Vietnam's economy in the 2000 - 2017 period faced a

recession accompanied by inflation in the 2008 - 2009 period. Besides monetary policy, the fiscal stimulus package was mentioned in Resolution No. 30/2008/ NQ-CP with the total value of the package is 160 trillion dong, in which there are a number of items related to public expenditure such as: suspending the recovery of capital construction investment in advance of 3.4 trillion dong; advance state budget for implementation of urgent projects 37.2 trillion dong; the planned investment capital from 2008 to 2009 is VND 30.2 trillion; credit interest support 17 trillion dong; other demand stimulus expenditures to prevent economic decline and ensure social security of VND 7.2 trillion. Supportive activities of public expenditure have an immediate impact on the private sector. Consumer demand in the domestic market increased with a retail sales growth rate of more than 10%, helping businesses have the motivation to maintain production and business activities (Nguyen Dinh Cung, 2018). Businesses also have access to loans from commercial banks with lower interest rates, helping to reduce production costs, thereby lowering product prices, increasing competitiveness as well as goods consumption, keeping consumer foot in the market. The strong business performance also helped alleviate the previous severe unemployment situation, easing the pressure on ensuring social security of public expenditure. There is no denying the importance of public expenditure to the private sector in these contexts.

However, it cannot be denied that in some cases, public expenditure still reveals its weaknesses. Problems related to scale, spending structure, transparency, efficiency... are frequently mentioned when it comes to public expenditure, sometimes limiting private investment.

First, the structure of public expenditure is unreasonable. Public expenditure is heavy on recurrent expenditure while development investment spending has not been properly guaranteed to be able to play its role. Expenditure on development investment, although lacking in capital, is abundant in ostentatious works, investing in the movements of many localities. Meanwhile, outstanding debt still exists in many localities, partly due to the widespread investment problem mentioned above. In addition, errors in the approval process of investment projects, determination of technical-financial factors of the project, contractor selection, construction supervision, etc... also cause and aggravate this problem.

Second, many public expenditures have limited efficiency. Although public expenditure still has to take on political and social tasks, provide public goods, etc., efficiency is also a problem when waste and loss still exist. Many projects using public capital have had their capital increased compared to the estimate, or the progress is delayed, the quality of the works is not guaranteed, which both puts pressure on the budget and affects the quality of capital and project efficiency. Not only in projects, but also inefficient public expenditures in many localities allocated from the central budget. That partly comes from the limited capacity of the government apparatus; As well as the weak capacity for enforcement, supervision and accountability, these tasks have not been strictly implemented. This problem shows the "reverse incentive" when creating opportunities for some localities and projects to increase spending instead of saving.

Third, the process of using state capital is not transparent in many accounts and places, leading to corruption and loss. The lack of transparency is reflected in many BOT traffic projects, when the selection of construction contractors is still unclear, lack of construction capacity as well as project management and operation. The appointment of contractors (accounting for 58% of Private - Public

Partnership projects as of 2017) is one of the reasons for the lack of transparency. The second cause is asymmetric information. The investor side does not fully understand or intentionally obscures information about the operation ability and financial potential of the contractor, thereby selecting the contractor according to its own purposes. Many businesses have low capacity, lack experience in the field of construction and implementation of Private - Public Partnership projects but have hidden information and still participate in bidding. Obstacles in many categories of public investment lead to some efficient businesses being pushed out of the game and replaced by friendly businesses - a typical example of "reverse selection". The contractor selection process also has potential moral hazard when some officials cultivate private interests, waste public capital, do not bring real efficiency to the project, even go against the interests of the people - which is the guideline that the government is aiming for, causing problems with the principle of "authorizer - executor". The third reason is the lack of transparency, which also comes from the weak capacity and lax responsibility of the project management agency. Some projects also allow investors to choose their own design, construction and supervision consulting units; while the inspection and supervision is not carried out regularly and fully, leading to not ensuring objectivity.

Fourthly, public expenditure activities still lack close supervision at all levels, the planning has not yet ensured the quality, and there are still many suspended plans. That leads to scattered, wasteful and inefficient spending. This situation, when combined with strong decentralization for localities as above, threatens the security and fiscal stability.

Fifth, budget revenue is limited, not enough to cover development investment spending because it has to provide resources for recurrent expenditure and debt payment, which is also a factor affecting the role of public expenditure in the process of economic development. Revenue is not enough to cover expenses, so sometimes many spending activities are forced to skip because of lack of funds. Moreover, overspending also causes the state to borrow more, leading to pressure on public debt.

5. POLICY IMPLICATIONS FOR VIETNAM

Some recommendations to improve public expenditure in Vietnam to promote the development of the private sector in the coming time are as follows:

First, increase infrastructure investment. Restructuring public investment is necessary but not in the trend of cutting development investment spending, especially infrastructure spending. Developing and maintaining a connected infrastructure is important in economic development, creating the basic conditions for the private sector to show its resilience. The government must continue to take on a leading role in infrastructure investment because there are still no resources capable of replacing government spending, both in terms of political role and capital size. Therefore, in the coming time, it is still necessary to continue to increase investment spending on infrastructure development for the economy in terms of scale and proportion. It is important to control the quality and efficiency of spending to ensure that public expenditure is really beneficial to the growth of the economy and the private sector. In addition, in the context of a limited budget, preferential loans have become more difficult, so if the state wants to meet the huge demand for infrastructure investment today, the state is forced to mobilize private investment capital. The popular way today is to implement the form of

Private - Public Partnership contract. This is not a completely new solution, but in the past, the form of Private - Public Partnership contract has not played its full role, therefore, it is still necessary to take measures to increase the efficiency of the Private - Public Partnership contract and lower the barrier of the Private - Public Partnership contract to the private sector. Specifically, to ensure the quality of the works and the effectiveness of public investment, first of all, it is necessary to conduct an open and public bidding. This at the same time helps increase opportunities for the private sector to access infrastructure projects, reducing the overwhelming impact of the public sector. Continue to conduct online bidding activities on the portal of the national bidding network system of the Ministry of Planning and Investment. This is an effective way to ensure publicity and transparency in the list of contractors, so it should be maintained and promoted further. Inspection and supervision must be carried out regularly and continuously to ensure the progress and quality of the works. In particular, the human factor is very important in project construction and contractor selection. Therefore, it is necessary to improve the capacity, awareness as well as sense of responsibility of those who work in construction and project management, from planning and drafting legal documents to project appraisal, approval, implementation, management and operation. To do a good job, there should be a supporting tool that is an information system or project management software. Thus, at the bidding stage, the person in charge can collect a more complete amount of information about the contractor, thereby comparing and selecting the contractor more accurately. Once completed, the governing body can continue to monitor project management. This software helps to reduce the system of complex documents and documents, which can be stored for a long time. In addition to evaluating contractors during the bidding phase, the software on the one hand helps the management unit track the history and operation of the contractor; help weed out contractors with bad results or negative problems in the past. On the other hand, as a basis for evaluating contractors in future projects. Moreover, management levels are also more convenient in monitoring without having to depend on waiting for written reports.

Second, implement publicity and transparency in public expenditure activities. The publicity and transparency in public expenditure activities should be done in the direction of creating conditions for people to monitor the process of budget allocation and use, at the same time, management levels can also monitor to ensure that budget discipline is implemented. Such a "top-down, bottom-up" method of monitoring will put the budget within the framework, avoid the risk of loss and waste, and help increase the efficiency of expenditures. In addition, having a database system on public investment projects in particular will be a necessary and important tool for policy makers and managers to monitor, adjust and make timely decisions on projects. Currently, the Ministry of Planning and Investment has established a national portal on investment supervision and evaluation for investment programs and projects using state capital, at the address giasatdautuquocgia.mpi.gov.vn. However, accessing the information on this website is still quite difficult. Most of it is for units to update forms and information according to regulations, but not widely publicized for all individuals who want to access and learn information. For that reason, this portal has not really become a control tool from the society and the public over the government's investment and public service provision. Therefore, on the one hand, it is necessary to enhance the content and quality of information on the basis of a common foundation and standards, ensuring the consistency of data. This will help the management agency to extract data conveniently and accurately, serving the needs of monitoring,

checking, monitoring as well as making timely decisions. That's "top-down" monitoring. On the other hand, expanding the scope of information access is necessary in the current open information context. In order to strengthen the monitoring capacity of people, businesses and other organizations in a "bottom-up" fashion, the state agency must at least give them this information system tool. Otherwise, supervision is only a formality on paper.

Third, increase budget revenue sustainably. Budget revenue is the factor that ensures the basis for public expenditure. Therefore, the policy implications given here will be related to sustainable revenue increase. Currently, the government is still looking for revenue in many different ways such as equitization of state-owned enterprises, divestment in some units; sale and lease of state properties; issue short-term bonds... but those are only temporary ways to manage in the short term. The important issue is to ensure the sustainability of revenues so that new budget revenues can be maintained in the long term. Therefore, in terms of tax base, it is necessary to prioritize revenues with high buoyancy, ensuring fairness and efficiency such as real estate taxes to the vast majority of people as value added tax. In terms of tax collection quality and feasibility, it is necessary to limit tax fraud, tax evasion, tax avoidance and tax loss, especially from the informal economy. This is both to prevent loss of budget revenues and to ensure fairness for all subjects in the economy. In this case, controlling the size of the informal economy is aimed at reducing tax losses, increasing revenue, and stabilizing the economy, not for the purpose of recalculating to loosen the GDP figure.

In Vietnam, where the public sector always has to take on an important role, directing and creating the basic conditions for the operation of the economy, public expenditure activities need to be carefully considered. This study has made comments on the complementary impact of public expenditure on private sector investment and proposed a number of policy implications to improve public expenditure in the direction of making more capital absorbed into the economy, bringing more positive impacts to the private sector. The author expects the research results will be valuable to scientists as well as managers and macroeconomic policymakers of Vietnam.

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PROMOTING VIETNAMESE PRIVATE ECONOMIC SECTOR IN THE CONTEXT OF THE INTERNATIONAL INTEGRATION

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Abstract: *In the history of Vietnamese economic transformation, various economic sectors have gradually affirmed their role in the national economic development. One of them, the private sector, has been developing widely throughout the country, making an important contribution to the economic development, mobilizing resources for the production and operation, generating jobs, improving local living standard and supporting the socio-political stability. This paper will give an overview on the Vietnamese private economic sector in recent years then propose several suggestions for the promotion of this sector in the context of the international integration.*

Keywords: *Vietnamese private economic sector, promoting private sector*

1. INTRODUCTION

Throughout more than 30 years of economic reform, the Vietnamese private economic sector has undergone significant changes and gradual become an indispensable component in the socialist-oriented market economy.

The first important milestone for the development of the private sector was the Resolution No.14-NQ/TW dated March 18, 2002 of the Fifth Conference of the Central Executive Committee (IX term) “On continuing fundamental reform mechanisms and policies to encourage and create conditions for the development of the private economy”. The private sector has been officially encouraged to develop with many important solutions. Resolutions of the Party congresses continue to affirm and emphasize the role of the private sector. The 5th Conference of the Party Central Committee (term XII) issued Resolution No. 10-NQ/TW dated June 3, 2017 on “Developing the private sector to become an important driving force of the Socialist oriented market economy”.

In recent years, the private economic sector has continuously grown, affirming its important role and driving force in the cause of innovation and socio-economic development of the country. The domestic private sector is generating about 40% of GDP, 30% of the state budget, and attracting about 85% of the country’s labor force. Thus, the private economy is the “shock-absorbing cushion” and an important “traction force” of the Vietnamese economy, so the State needs to continue to have mechanisms and policies to promote and develop sustainably under current conditions.

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After 3 years of implementing Resolution No. 10-NQ/TW in 2017, up to now, Vietnamese private economic sector has grown strongly in terms of quality, quantity and scale, continuing to be the main driving force in Vietnam economic growth.

2. METHODOLOGY

This paper focuses on information collected from 3 main sources. The first dataset consists of accounting and financial figures which are collected from companies' websites. The second dataset is originated from conducted survey and interview. And, the final dataset about companies' sustainability is extracted from different media resources. These collected information is then summarized before being analyzing and assessing.

3. VIETNAMESE PRIVATE ECONOMIC SECTOR IN RECENT YEARS

3.1. Regarding the number of enterprises and employees

By the end of 2018, the number of businesses establishments in the private sector (including private enterprises and individual business households) was about 6 million units, about 700,000 enterprises. On average, in the period from 2011 to 2018, the number of business establishments increased by 3.4% each year. Regarding the business sector alone, the proportion of the number of non-state enterprises (private) accounted for about 96-97% of the total number of enterprises in the period 2010-2018 and this proportion is forecast to remain in 2019 and 2020. Meanwhile, the number of individual business households increased from more than 4.12 million in 2010 to over 5.14 million in 2018, an average increase of 3.25% per year during the whole period.

The average number of enterprises per 1,000 people continuously increased in the period 2010-2018, from 3.2 enterprises (2010) to 7.6 enterprises per 1,000 people (2018). The average growth rate reached over 11.5%/year in the 2011-2018 period.

The number of newly established enterprises continuously increased in the period 2011-2018, averaging nearly 6.5%/year, of which the increase in the period 2011-2015 was 3.3% and the period 2016-2018 was 11.6%. In the period 2016-2018, the number of newly established enterprises has exceeded 100,000 enterprises per year. In addition, the number of enterprises that ceased operation and returned to operation in the period 2013-2018 averaged 30.6%/year (24.3% in the period 2013-2015 and 36.8% in the period 2016 - 2018). Meanwhile, the annual average rate of the number of enterprises that ceased operation and dissolved was about 74.2% of the total number of newly registered enterprises in the period 2011-2018 (of which the period 2011-2015 was at 80.2% and the period 2016-2018 at 64.3%).

By industry, statistics show that the number of enterprises in the service industry accounted for a proportion from 66% to over 70.6% in the period 2010-2016. According to the forecast, the proportion of enterprises in the service industry continued to increase and account for over 71% in 2019 and nearly 72% in 2020. Meanwhile, the proportion of business households in the field of commerce and services accounts for over 80%.

According to the General Statistics Office, the total number of employees aged 15 and over working in the non-state economic sector in 2018 was about 45.19 million people, accounting for

83.3% of the total number of employees aged 15 years and over are working in the economy (about 54.25 million people). The proportion of laborers working in the SAV sector in the total number of workers over 15 years old working in the economy, in the period 2010-2018 ranged from 83.3 to 86.3%. In the business sector alone (including enterprises and business households), in 2017 the total number of employees working in this sector is about 23.2 million people (including 14.5 million people in enterprises and more than 8.7 million people).

3.2. Regarding the contribution of the private sector

- Contribution to GDP: In the period 2010-2018, the contribution to GDP of the state-owned sector (including the private sector and the collective economy) accounts for the largest proportion, about 43%, of which the private sector accounts for the proportion from 38% - 40.6%. The state economic sector and the foreign-invested sector in the same period accounted for 27.7% - 29.4% and 15.15% - 20.3%, respectively.

In terms of contribution to GDP growth rate, the growth rate of the SAV sector in GDP is higher than the overall growth rate of the economy in the period 2010-2012. However, this rate is lower than the overall growth rate in the period 2013-2017.

- Contribution to the state budget: The State budget sector accounted for an increasing proportion in the period from 2010-2017, from 28.3% (2010) to 33.2% (2016). The foreign-invested enterprise sector contributes more and more in the structure of state budget revenue, from 26.3% (2010) to 34.4% (2016) and is currently the largest proportion of foreign-invested enterprises in the state budget. Meanwhile, the proportion of contribution to the state budget of the state economic sector has decreased quite rapidly, from 45.4% (2010) to only 32.3% and is the sector with the lowest proportion.

Investment of the SAV sector in total investment of the whole society: Has risen to the No. 1 position since 2015, accounting for 38.7% and reaching over 43% in 2018. In contrast, the investment proportion of the state economic sector tended to decrease sharply, from 47.1% (2005) to 38% (2015) and to 33.3% (2018). The foreign-invested sector accounted for about 21.6% - 25% in the 2010-2018 period. If only in the business sector (including SOEs, private enterprises and residents, the foreign-invested sector), the private sector's investment accounts for 53% - 56.3% of total investment. of this sector in the period 2010-2018 and shows an increasing trend over time (the state-owned enterprise sector accounts for about 9% - 16%; the foreign direct investment sector accounts for about 30% - 38% in It is forecasted that by 2020, the proportion of the private sector will account for about 60% of the total investment capital of the business sector. in the period 2011-2018, ranges from 7.14% - 18.86% (average 13.2%/year) and is forecasted to continue to increase at over 16% in 2019 and 2020.

- Regarding total assets in business: The private sector has the highest proportion of total assets (ranging from 48.2% to 53.5% of total assets of the enterprise sector). This region generates the largest revenue of the 3 regions (ranges at 50.8% - 56.8%). The debt-to-equity ratio of the private enterprise sector in the period 2010-2017 fluctuated between 1.83 and 2.3 times, lower than the average of the entire enterprise sector (equivalent to about 54.4% - 74% compared to the SOE sector and about 108% - 148% of the FDI sector). The debt-to-equity ratio

of private sector enterprises remained stable in the period 2010-2015 and tended to increase in 2 years (2016 and 2017).

- Business activities of the private sector, especially the private enterprise sector, have improved significantly. The return on assets of the private sector for the period 2011-2017 ranged from 0.86 to 1.86%, while the return on equity of the private sector for the same period range fluctuates at 2.63% - 5.5%.

- Regarding labor productivity and workers' income: Although, the productivity of the private enterprise sector in terms of the average revenue per employee is the lowest, but considering the labor productivity according to the With the average added value per employee created in a year, the private sector has the highest productivity level since 2014 and shows a continuous upward trend in the whole period 2010-2017. Meanwhile, the productivity of the foreign-invested enterprise sector tended to decrease in the period 2010-2016. The individual economic sector has the lowest labor productivity in all three regions and tends to increase in the period 2010-2016. Per capita income of employees in the private enterprise sector is the lowest among the three regions, in from 3.4 to 7.4 million VND/person/month in the period 2010-2017, equal to about 49%-65.5% compared to employees in the SOE sector and 73%-83% compared to those in enterprises in the foreign-invested sector. However, in terms of average income growth, non-state enterprise workers had the highest average growth in the period 2011-2017, reaching 16.5% compared to 16.1. % of the foreign invested enterprise sector and 11.7% of the SOE sector.

In general, since Resolution No.10-NQ/TW of the 5th Central Conference (term XII) was issued, the Government and ministries have made great efforts to achieve the goal of bringing about a breakthrough for the private economic sector.

According to calculations, if private investment (excluding individual business households) increases by 1%, it will help Vietnam's GDP in 2020 grow by about 0.15 percentage points. Among them, many private enterprises have become leaders, leading in innovation and application of science and technology in the economic development of the country.

Vietnam's economy is known to the world through the names of private corporations such as Vingroup, Sun Group, T&T Group, Thaco, Vietjet, TH True Milk, Masan... Many private enterprises have achieved export turnover up to millions of USD, making an important contribution to growth, budget revenue and job creation, ensuring security and society. Statistics show that 29 Vietnamese enterprises have a market capitalization of more than 1 billion USD.

It can be affirmed that the private sector is a "shock absorber" for the economy, especially in the context that the economy is being affected by uncertain factors such as the Covid-19 epidemic, climate change, natural disasters, etc.

In particular, during the recent Covid-19 pandemic, many private businesses have joined hands with ministries, sectors and the Government to effectively fight the epidemic, this move demonstrates the effective companionship of the three parties between Government - Business - People.

In order to support the private sector to overcome difficulties and challenges, recover and develop production and business, the Government has promptly issued key supporting policies such as: (1) Supporting the economy, sharing burdens and difficulties with people and businesses

through financial, monetary, and credit solutions, targeting businesses and unemployed workers, contributing to removing difficulties, support production and business, ensure social security; (2) Reducing costs and short-term financial pressure for enterprises and business households; (3) Accelerating disbursement of public investment capital; accelerate the progress of important national investment projects; (4) Reform administrative procedures, improve the business environment, effectively mobilize social resources for development investment.

3.3. Achievements and limitations of the private sector - an important force of Vietnamese economy

3.3.1. Achievements

Over the past years, together with other economic sectors, the private sector has continued to promote its internal strength and become an important force of Vietnamese economy, such as:

First, the private sector maintains a significant contribution to state budget revenues. Specifically, accumulated in the first 9 months of 2020, the non-state economic sector (including the collective economy and the private economy) has shown the greatest resilience among the three regions, the state budget revenue down 9.5% compared to 2019, while the state-owned enterprises and the FDI sector continued to be severely affected areas, decreasing by 15.7% and 11.3%, respectively.

This shows that state-owned enterprises have not yet shown their role as a regulatory tool of the State when the economy is in trouble and the private sector continues to show its role as an important driving force, confirmed in Resolution No. 10-NQ/TW.

Second, in the context of the Covid-19 pandemic, the private sector continued to be an important source of investment capital in the total investment capital of the economy, when the private sector investment capital in the first quarter III/2020 doubled in the second quarter of 2020 and reached 7.4% over the same period in 2019.

In the first nine months of 2020, investment capital of the whole society increased by 4.8%, equal to half of the lowest growth rate in the 2016-2019 period. The increase in social investment capital over the same period last year was mainly due to the pull of investment capital from the budget, government bonds (up 48.9% and 8.1% respectively) and a part not small amount of private investment (up 2.8%), while the important source of capital is foreign investment decreased (-2.5%).

Third, despite the negative impacts caused by Covid-19, in the first 9 months of 2020, there were still nearly 99,000 newly established businesses, down only 3.2% over the same period in 2019; the number of enterprises returning to operation reached 34.6 thousand enterprises, up 25.5% over the same period; the number of enterprises increasing capital is 29.5 thousand enterprises. As a result, in the first nine months of 2020, the total registered capital added to the economy reached VND 3,601.9 trillion, up 19.2% over the same period in 2019.

It can be seen that businesses have been trying to rise up in difficulties with the focus on: (i) Cutting costs, maintaining relationships or finding new partners and markets; (ii) Transforming business models through information technology application; (iii) Switching products on the basis of studying market demand for essential products and in association with consumption trends appropriate to the pandemic context; (iv) Update information on disease developments to seek

business opportunities and access markets when the epidemic is reversed; (v) Take advantage of the State's preferential policies to maintain operations, invest in developing production and business infrastructure.

3.3.2. Limitations

In addition to the achieved results, the private sector also faces difficulties and challenges due to internal limitations and inadequacies of the economy in general and the private sector. In particular, such as:

First, the resilience of businesses to difficulties caused by Covid-19 is increasingly declining. In September 2020, although the psychology of the people and the business community gradually stabilized after the re-emergence of the Covid-19 epidemic, the number of businesses temporarily suspending business to dissolve was still large, up to 9,101 enterprises in the third quarter of 2020.

The impact of the Covid-19 pandemic on industries and businesses is increasingly visible. The business survey report of the Private Economic Development Research Board (September 2020) showed that, affected by the Covid-19 epidemic, 20% of surveyed businesses had to suspend operations; 76% of enterprises cannot balance revenues and expenditures; 2% of enterprises have been dissolved; only 2% of businesses are temporarily not affected by the pandemic.

The biggest difficulties of enterprises now and in the future are: (i) No customers/orders/contracts for product consumption; (ii) Difficulty in ensuring salary payment, payment of social insurance, health insurance, unemployment insurance, trade union fees; (iii) Difficulty paying bank loans (principal and interest); (iv) Difficulty paying for electricity, water and input materials; difficulties in paying rent for warehouses, factories, offices and equipment. In the field of tourism, most small and micro enterprises (tour agency services, ticket sales) lay off 100% of employees, international travel businesses laid off about 80% of employees.

At the same time, the situation of production and business activities of enterprises on the stock market also shows a difficult picture of enterprises. According to statistics, in the first 9 months of 2020, only 4/18 industries were not affected by the Covid-19 epidemic and are likely to continue to develop, including: Financial services industry, whose profit after tax increased by 156.2% over the same period in 2019; Insurance industry (Profit after tax increased by 61.1%); Food and Beverage industry (Profit after tax increased by 8.9%). 10/18 industries saw a decline in profits, in which tourism and entertainment were the hardest hit, with net revenue and profit after tax decreasing by 67.2% and 376.8% respectively over the same period last year of 2019. Next is oil and gas with profit after tax down 130.1%.

In the past years, except for telecommunications, other industries have shown a common loss of businesses from 15%-50%. Many businesses right in the middle of May 2020 when the Covid-19 epidemic was temporarily controlled all set a profit goal, the percentage of businesses that are losing money believes they will be profitable in the whole year 2020 is quite high in Vietnam. However, the outbreak of the second wave at the end of July 2020 has significantly changed the above outlook of businesses. And especially, the fourth outbreak in Vietnam has significantly changed the operation plans of businesses.

Second, support policies are not really effective. In fact, the Government's support solutions so far have only partially implemented, not creating the motivation to help businesses and people overcome difficulties. According to the World Bank, the results of implementing support policies (VND 62 trillion package) were much lower than expected, about 12.75%, due to complicated criteria for receiving support. The results of the implementation of policies on tax exemption, reduction, extension of taxes, fees and charges and land rent only reached more than 35% of the value of the support package.

Thus, the resources for the first support package have not been fully exploited. The slower the support package is to be implemented, the lower the effectiveness and initial expectations will be, while businesses, workers and people are being severely impacted after two outbreaks of Covid-19 epidemic. Therefore, ministries, departments, branches and localities need to quickly remove obstacles and bottlenecks to open capital flows and create favorable conditions for businesses and people to access support packages effectively affected by the Covid-19 epidemic.

Third, the goal of developing 1 million businesses in 2020 is difficult to achieve, when the number of operating businesses as of September 30, 2020 only reached 794,858 businesses. In addition to the impact of the Covid-19 epidemic, it is also due to the following reasons: Institutional renewal efforts have been slow to be implemented (the Investment Law, the Law on Public Investment, the Law on Enterprises were all revised and effective until 2019), forced by 2020); has not made a breakthrough in improving the business environment.

Renovation of operation of public non-business units is slow, autonomy in organization, personnel, finance and operation is not high; the proposed cost calculation roadmap has not yet been implemented; The Covid-19 pandemic also makes it more difficult to earn non-business income. Streamlining the payroll from the state budget and increasing the autonomy of public non-business units faces many challenges.

Fourth, the domestic business sector has sharply increased the export turnover of a number of products that do not have competitive advantages, this needs to be assessed accurately to avoid wrong judgments. If it is the real export capacity of domestic enterprises, this is a good sign of the development of Vietnamese enterprises. However, if this is only an import from a third country, then hides in the shadow of a Vietnamese enterprise to export to another country, then Vietnamese exports will be subject to evasive tax, which affects to production and business activities in the medium and long term.

Fifth, the disbursement of public investment capital is still slow compared to the plan, although the Government and the Ministry of Finance have been quite strong and drastic since the beginning of 2020. This reduces the efficiency of capital use and increases loan management costs, causing waste and in the context of the Covid-19 pandemic, did not bring about a spillover effect, as well as promote the growth of other capital sources, including private investment.

The reason is due to the delay in implementing the regulations of the central and local authorities. In addition, the ODA loan agreement took a long time to build and negotiate, now the situation has changed, but the adjustment of the agreement still has to go through many procedures and take a long time.

In today's globalized economy and international integration, it also poses many opportunities and challenges for our country. To be able to promote and develop our country's economy and society, and to implement the Party and State's policy of industrialization and modernization, it requires great efforts of the entire population. In which, the role of the private economic sector must be mentioned, it is an integral part of the economic system of our country. The contribution of this sector to the economy is not small in recent years. The private sector not only contributes greatly to the country's GDP, but it also helps create jobs for a large number of workers.

In addition to the achieved results, the development of the private sector still has many difficulties and challenges, such as:

- The contribution of the private sector to economic growth has not been commensurate with the potential and expectations. The share of private sector in GDP has changed little in the past 10 years. The goal of contributing about 50% of GDP by 2020 faces many challenges.

- The average size of private accounting units in the country is still small, mainly individual economies contribute up to 30% of GDP, private enterprises only contribute about 9% of GDP.

- Social labor productivity of the private economic sector is lower than the average level of the economy.

- The financial capacity, technological level and business efficiency of the private sector are not high; product quality and competitiveness are not outstanding; the ability to participate in regional and global value chains and production networks is still limited, mainly focusing on stages with low added value.

4. SUGGESTIONS FOR THE PROMOTION OF THE VIETNAMESE PRIVATE ECONOMIC SECTOR IN THE CONTEXT OF THE INTERNATIONAL INTEGRATION

First, continuing to renew thinking, raise awareness about private economic development, so that the private economy is an important force contributing to the development of the socialist-oriented market economy in our country.

The State with resources, tools and policies will play a leading role in orienting and regulating the economy, ensuring great balances for the economy, controlling strategic resources, developing strategic resources, and promoting economic development, infrastructure development and public services with large investment capital, slow turnover, low profits, which are essential for the socio-economic development that the private sector is not willing to undertake; in the fields of defense - security, a number of venture investment activities. Expanding the business market internationally. Private enterprises are largely still operating in the domestic market, with only a few large firms reaching a modest extent in foreign markets.

Even in the domestic market, under fierce competition pressure, large private enterprises also tend to withdraw from industrial production, leaving the playing field for foreign enterprises. Therefore, there should be more policies to support, encourage and help businesses to reach out to strongly develop the force of enterprises in agriculture and in rural areas. There are very few private enterprises operating in the agricultural sector. Meanwhile, many policies to help agriculture and rural development in the post-renovation period have reached their limit. The

long-standing traditional household economic model in rural areas is no longer suitable for new conditions; requirements for land accumulation and concentration are being put forward for the implementation of modern models such as large-scale farm economy.

In particular, it is necessary to focus on the role of technology, especially information technology, green technology and clean technology in improving the quality and value of agricultural products, developing human resources for innovation and entrepreneurship. It is necessary to fundamentally renovate the education and training system, in which to associate education and training with practical activities, upholding the spirit of ownership, and promoting the culture of entrepreneurship. It is necessary to create a creative culture and entrepreneurial spirit for young people right from the time they are in school, forming the will to start their own businesses to be ready for the future.

It is necessary to minimize the impacts of state-owned enterprises on the private sector, and at the same time adopt policies to strengthen the development of the private sector in both vertical and horizontal direction to both solve the common obstacles to the private sector.

Second, to encourage the formation of multi-owned private economic groups and the private sector to contribute capital to state economic groups.

It is necessary to create favorable conditions for the private economy to develop in all sectors and fields that are not prohibited by law. Accordingly, promoting the development of all forms of linking production, business, and supply of goods and services along production networks and market value chains between the private economy and the state economy, and the collective economy. and foreign-invested enterprises in order to receive, transfer and create a wide spread of advanced technology and modern management.

To encourage the formation and development of large private economic groups with strong potential and competitiveness in the region and internationally; set a goal to strive that by 2030, there will be at least 2 million enterprises with the proportion of the private sector's contribution to GDP reaching 60%-70%.

However, in the context of support resources is gradually approaching the limit. If the world economy continues to deteriorate, the Government needs to develop a long-term response scenario with focus and focus, prioritizing domestic disruption and not pushing macro safety limits too far.

Focus on supporting the private economy to innovate, create, modernize technology and develop human resources through encouraging and supporting the private economy to invest in research and development activities, transform technology transfer; connecting businesses, start-up ideas and innovations with investors and investment funds; promote the formation and development of high-tech parks, high-tech incubators and science and technology enterprises. Improve the effectiveness and efficiency of state management. In particular, the contingent of cadres and civil servants, it is necessary to have a breakthrough in thinking and action, persistently innovating, perfecting and organizing the implementation of laws, mechanisms and policies in accordance with the law, market and international practices and standards; remove all prejudices and barriers; strongly reform cumbersome administrative procedures, create favorable conditions for the private economy to develop...

Third, strengthen linkages between private enterprises and other types of enterprises

Foreign direct investment (FDI) enterprises are an important factor contributing to creating more jobs, increasing industrial output and boosting Vietnam's exports. In my opinion, in order to strengthen the link between private enterprises and FDI enterprises, Vietnamese enterprises must know how to seize opportunities, build great intentions with the spirit of dare to think, dare to do and aspire to fly high and far away. Only then can they grow up and join the common playing field with corporations in the region and the world.

In the immediate future, Vietnam needs to promote mid-range technology development activities suitable to the current level of development, such as setting up clusters of component manufacturing industries that require moderate capital investment and high sophistication. Vietnam also needs to capture the start-up wave of technology businesses and promote start-up ecosystems to help entrepreneurs overcome barriers of capital, risk, human resources, etc. to realize their ideas related to technology and innovation.

Instead of creating support packages for each group of businesses, the Government needs to focus on creating a favorable business environment, promoting fair connectivity so that businesses can compete equally. Forming separate industrial zones and export processing zones, separating FDI enterprises can help improve operational efficiency and exports.

Focusing on the synchronous implementation of solutions to ensure the policy of supporting the private economy in a substantive manner through supporting policies on interest rates, tax incentives, land, and site clearance, etc; strengthening research and development capacity, technological innovation and financial and credit solutions; publicize and transparently implement infrastructure development master plans and plans, promote positive linkages between economic sectors, economic entities and economic spaces.

Thoroughly overcome the situation that large enterprises dominate and overwhelm small businesses in accessing economic resources and opportunities. Completing the law on ownership regime, including for real estate, land, etc. to contribute to preventing conflicts in society, contributing to efficient resource allocation, when the law on ownership is clear. Obviously, it would itself impose a limited order for the rights of actors in society to be guaranteed. Accordingly, businesses will appreciate cooperation and cohesion more. Thoroughly implement administrative reform, enhance the operational efficiency of state agencies, ministries, branches and local authorities in the direction of creating favorable conditions for private economic development.

Forth, improve the effectiveness and efficiency of management and control of private enterprises.

Promote building and improve corporate culture and business ethics. Currently, the current cultural situation of Vietnam, besides the positive ones, there are also many negative factors. It is necessary to regularly propagate and raise the awareness of compliance, professional ethics and standards of behavior and conduct in private enterprises, create a professional working environment, and limit risks to ethics. professional ethics may arise; as well as strictly handle violations and frauds (if any) for general deterrence and prevention.

The human factor is very important, businesses need to raise compliance awareness for their staff. It is important to detect timely to minimize losses, tighten personnel management, strengthen compliance monitoring and behave appropriately, always putting the interests of customers first.

Completing regulations to manage and control the activities of enterprises. Review the organization and implementation of central and local legal documents in order to better serve management requirements and at the same time not cause difficulties and problems for people and businesses.

It is said that culture is what remains in us after we forget everything. Thus, culture is something that will seep into each day, but sometimes it takes us a generation to build a culture. But in terms of corporate culture, I think that if we have the Government's resolute involvement and the cooperation of agencies and departments, it won't take long, I think.

Fifth, eliminate discrimination between private sector enterprises and other types of enterprises.

Create all possibilities for private enterprises to easily access development resources such as finance, land, technology and human resources. Unify awareness, thought and action in implementing guidelines and policies on private economic development. This solution aims to create a unified awareness in the socio-political system about the driving role of the private economy, thereby creating all conditions for private economic development, promoting the strengths and potentials of the private sector. personal economic. Support the private economy to innovate, modernize technology and develop human resources, improve labor productivity. Implementing this solution is to encourage and create every opportunity for private enterprises to access and apply advanced technologies in production and business.

Creating a favorable investment and business environment for private economic development in all industries and fields not prohibited by law. The economic cause belongs to the whole people, the private economy must be the main driving force, ensuring the sustainable and autonomous development of Vietnam. The role of the State is to create the environment, the playing field, the rules of the game, to act as the referee. Therefore, it is necessary to promote and improve the operational efficiency of small and medium enterprises, innovative enterprises and the start-up movement. Continue to create favorable conditions for households and individuals to voluntarily associate to form businesses or other forms of cooperative organizations. On the side of the State and the contingent of cadres and civil servants, it is necessary to have a breakthrough in thinking and action, persistently innovating, perfecting and organizing the implementation of laws, mechanisms and policies in accordance with the law. market rules and international practices and standards; remove all prejudices and barriers; drastically reform cumbersome administrative procedures, creating favorable conditions for the private economy to develop.

Sixth, promote private enterprises to apply science and technology to improve production and business efficiency.

According to the classification of technology level according to the standards of the United Nations Industrial Development Organization (UNIDO), Vietnamese enterprises are still mainly in the low-tech group. Of the total number of enterprises implementing activities to improve technology, machinery and equipment in 2013, two thirds of enterprises encountered obstacles. Similar to

technological innovation, the biggest obstacle to enterprises› technological innovation is financial constraints (7.33/10 points).

Obviously, the financial problem is the biggest barrier for businesses not only in innovation and technology improvement activities but also in business activities, especially for small and medium enterprises. The second barrier for businesses to implement technological innovation is the lack of a qualified and skilled workforce. Labor in Vietnam is large in number, but weak in skills, especially for technical workers. In addition to the two main barriers mentioned above, there is also the weakness of infrastructure (electricity, energy, land, transportation, etc).

In particular, in order for the private sector to really do well as a driving force, in the period 2021-2030, the State will continue to create space for development and create opportunities for the private economy, especially private enterprises. exploiting and using national resources reallocated from the private sector for development. To step up the equitization of state-owned enterprises, divest state capital in enterprises in which the State does not need to hold capital, and minimize the level of state shareholding.

Accordingly, focusing on core issues: Rapid and sustainable development based mainly on science and technology, innovation and digital transformation; Innovating thinking and acting, proactively grasping in time, effectively taking advantage of opportunities of the Industrial Revolution 4.0 associated with the process of international integration to restructure the economy and develop the digital economy. , digital society; improve productivity, quality, efficiency and competitiveness; Reforming and improving the quality of socialist-oriented market economy institutions fully, synchronously, modernly, integration and effective and effective law enforcement are prerequisites to develop country

Seventh, training and improving the quality of human resources for the private sector:

Education quality is always a core issue, a vital factor of each educational institution, as well as the higher education system. Vietnam's national qualification framework has 8 levels, including 5 vocational education levels and 3 higher education levels. Implementing the national qualifications framework will have a strong impact on many stakeholders, from management agencies, employers, training institutions, learners, towards international standards, contributing to international standards. fundamental change in the quality of higher education today.

Develop standards for training high-quality human resources with professional practice, soft skills, especially communication and teamwork skills, work ethic discipline, professional responsibility and responsibility. labor. Focus on building institutions, mechanisms and policies for vocational education development in line with the integration trend; complete the planning of the network of vocational education institutions; improving the quality of vocational training, approaching regional and world standards.

Eighth, improve efficiency of Party and mass organizations in private enterprises.

To improve the quality of building Party and mass organizations in private enterprises, first of all, it is necessary to raise the awareness of business owners and employees on this issue. Attention should be paid to the propaganda on the position and role of Party organizations and socio-political organizations in private enterprises for business owners and employees.

The epidemic situation is still uncertain and the world economy may move in different directions. Therefore, in operating, State agencies also need to keep a close eye on the epidemic, the impact of natural disasters and climate change in order to promptly have operating and response scenarios suitable to the real life situation.

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IN TERMS OF GENDER EQUALITY: VIETNAM LABOR FORCE IN 2020

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Abstract: *Due to the impact of the COVID-19 pandemic, Vietnam labor market has witnessed unprecedented transitions. These transitions can be unemployment, reduction in working hours and working from home. Although both genders witnessed the same trend of declining working hours, increasing unemployment rate, the magnitude of the impact is different among the two genders. This phenomenon can be accounted by the double burden female labors have to carry. Using secondary data from Vietnam's Labor Force Survey and Vietnam Statistics Office along with reports from competent agencies, the paper shows more reduction in working hours, labor force participation rate, and vulnerability among female labors compare to their male counterpart during COVID-19 lockdown. Support for the double burden on female workers is also presented.*

Keywords: *Vietnam labor force, COVID-19, gender inequality.*

I. INTRODUCTION

2020 marked the outbreak of one of the most dangerous pandemics in decades and probably for decades to come. COVID-19 is not only a global health crisis but also responsible for economic crisis and downturn. Although applying proper measures in coping with the pandemic, Vietnam's economy still endured significant fluctuations. The labor force, like any other social and economic aspects, has been massively impacted. According to the General Statistics Office of Vietnam, by December 2020, 32.1 million people above 15 years old were negatively affected in which 69.2% of the mentioned number faced reduction in payment, 39.9% were forced to reduce working hours, and 14% had to stop working. Although women take up 70% of major industries such as weaving, electronics or clothing, they still suffer from inequality, low wage, and less career opportunities.

II. LITERATURE REVIEW

Unlike previous recessions and downturns which would have a larger impact on male worker compares to their female counterparts, the downturn caused by COVID-19 strikes directly at on sectors with high female employment rate; therefore, women are reported to suffer more from the pandemic (Alon *et al.*, 2020) Research with context of US, Germany, and Singapore has also pointed out that women are more likely to face transitions than men (Reichelt, Makovi and Sargsyan, 2021). Vietnam female labor force participation rate before COVID-19 is significantly higher comparing to the world statistics – 70.9% in 2019 compares to 47.2% worldwide and

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43.9% of Asia-Pacific, and there was not any significant difference in the unemployment rate between the two sexes. It is also reported that it is easier for female workers to enter the labor force in Vietnam than in other countries. However male labor force participant rate in Vietnam still held larger figures in stable occupations while female workers accounted mostly vulnerable occupations' statistics. In 2019, 65.8% family workers were women. Women are also reported to be twice as likely to become family workers than men. Therefore, we hypothesized that women are more likely to face a higher unemployment rate than men.

H1: Female labor witnessed a higher unemployment rate during the pandemic.

Wage gap also exists between male and female workers: Vietnamese female workers are still paid less than their male counterparts by 13.7%. With occupation sorting, women have less career prospects and fewer opportunities to get promoted holding very few of leadership positions (ILO, 2020; Tran and Nguyen, 2020). Women are likely to participate in jobs that have shorter working hours and with paid leaves, and though women take up half of the labor market, those in managing or decision-making positions are relatively low at a ratio of only 1/4. Occupation sorting has been proven to be driven by social norms rather than any aspirational factors at an early stage of their lives (Chowdhury *et al.*, 2019) pushing women participate into vulnerable positions or positions with fewer promotion opportunities and lower wages.

H2: Women are more likely to hold vulnerable positions than men.

Due to lack of stability and opportunities, female workers might experience a higher pay gap and lower wage not only in correlation with the male counterparts but also female workers in 2019. We hypothesized a reduce in the wage of female workers during the pandemic while the wage gap between male and female workers might remain the same or increase slightly. While pay gap in other countries lies in the difference of working hours, evidences had pointed out that working hours have a weak relationship with Vietnam's pay gap rate (ILO, 2021). Vietnam government's agreement upon the Equal Remuneration Convention had also eliminated the possibility of system bias. Education is not likely to be a contributing factor as education gap and inequality has been narrowed. A research in 2020 by Hoang Lan Anh also pointed out that Vietnamese women are, indeed, facing double standard (Hoang, 2020).

H3: Female labor faces double standards that hinder work.

With three predictions about the trend of Vietnam labor force in 2020, the authors want to stress the inequality in the labor force.

III. METHODOLOGY

The research uses the method of synthesizing and interpreting information, documents, reports of competent agencies, Ministries and branches on issues related to the research field, statistics provided from several secondary data sources (ILO Vietnam's Labor Force Survey, General Statistics Office of Vietnam) to report the situation of Vietnam labor force in terms of gender in 2020. We looked into statistics about unemployment rates, working hours, labor force participation among the two genders: male and female. In addition, statistics about hours spent on chores and family work are also used as a mean to find double burden on female workers.

IV. MAIN FINDINGS

1. The difference in employment rates

In 2020, unemployment rate shifted in an unfavorable way creating a gap between male and female workers. According to ILO, although both male and female labor force participant rates decreased due to COVID-19, women participant rate suffered a greater loss comparing to men's figures. During the second quarter of 2020, with more than 1 million female workers not participating in the labor force, the female participant rate had dropped 4.8% while male witnessed a decrease of 3.9% comparing to the same quarter in 2019. This trend continued throughout the years as in the third and fourth quarter of 2020, the participant rate of female still fell behind male participant rate (2.6% and 2.4% for female and 1.4% and 2.1% for male respectively). Although the figures from the 3 consecutive quarters reported a recovery in the participation rate, the participation gap had widened to 11.2% compares to the average of 9.5% from previous years.

Among women workers leaving the labor force, women from 15 to 24 years old and those above 55 years old were most likely to leave. The rate of these aspects joining the labor force in the 3rd quarter of 2020 had dropped 3.3% compares to 2019. While older female workers (above 55 years old) had the tendency to leave the labor force in rural area, younger women dropped out of the labor force mostly in urban areas.

The statistics support our first hypothesis of increasing unemployment rate. The widening of the rate between the two sexes also stresses that men unemployment rate suffered less than women. Old labors in rural areas and young labors in urban areas are the two aspects who are most likely to give up the labor force. In order to scrutinize the underlying reason for this trend, we continue to look into the demographic of female labors as the sharp decrease in female participant rate might be due to exposure to vulnerable occupations occurring even before the pandemic stroke. Workers in vulnerable occupations such as family workers or self-employed workers are more likely to encounter risks. 92% of the self-employed or own-accounted workers have no access to social protection. The hypothesis of vulnerability is also proven with more women being exposed to informal work.

Female workers are twice more likely to participate in contributing family workers than their male counterparts, making them vulnerable without social protection against sudden crisis. The two mentioned age group of 15-24 years old female workers and 55 years old or above female workers also obtained accountable characteristics in regard of their figure during 2020. According to Vietnam's labor law, women of 55 years of age are marked retired making them informally employed. With negative effects to different sectors – service, construction and industrial, and agricultural – older employment is more likely to lose their job. For women ranging from 15 to 24 years old, even before COVID-19, they are already 5% more likely to become informal workers than other women from 25 to 54 years old. Women from this age range also suffered from the unlikeliness of signing long-term contracts with their employers. Both younger and older women have the most unstable and vulnerable employment, therefore, are the most affected during the COVID-19 crisis. Not only does their employment showed instability but their wages were also unfavorable. In 2020, young female employees earned 11.7% less than the average amount of female workers in 2019, the number is 50.6% for self-employed. For older female, the figures are 32.4% and 21.4% respectively.

Difference in unemployment rates according to gender started to appear in 2020 whereas in 2019, this rate among the two sexes did not show any difference. This increasement in the gap between unemployment rate was applied to both young and adult workers. By the fourth quarter of 2019, the unemployment rates of both male and female workers from 15 to 24 years old were 6.4%. However, by the third quarter of 2020, female unemployment rate increased 2.7%, making up the number of 9.1%. This rate remained quite constant and did not show any favorable changes as in the fourth quarter of 2020, the unemployment rate of the mentioned aspect reported a number of 9.2%. In 2020, women in this age range found it quite difficult to seek for a job, at least one in every ten women was unable to secure a job. The figure for young male workers showed a decrease in the third and fourth quarter of 2020. The figure did present a slight increasement in the second quarter of 2020 but quickly reduced to a number of 5.7% by the third quarter and continued to decreased slightly by 0.5% in the fourth quarter. For women and men above 25, women still suffered from higher unemployment rate compares to 2019 (though more moderately than younger women's rate) while men's rate dropped. The gap was created and widened due to the increasement of female unemployment rate and the slight decrease of male's figure – creating a gap of 4% among young labor and 1% for adult labor by the fourth quarter of 2020.

2. Working hours and double burden on female workers

While the decrease in the first quarter of 2020 can be elaborated due to the occurring of Tet holiday – in which people intentionally and predictably reduce their working hours. The second quarter of 2020 marked the social distancing and safety measures in coping with the first outbreak of COVID-19. The social distancing policy starting from March, 2020 had a tremendous impact on economic activities. Looking into statistics, the blatant decrease in working hours was observable in both Vietnam and worldwide in both genders. Comparing to 2019, the total working hours worldwide dropped 8.8%. Vietnam figure in the second quarter of 2020 also dropped sharply in correlation with the closure of businesses and reduction in economic activities. However, the statistics were more unfavorable toward female workers. As their working hours dropped to 88.8% of 2019's figure (the same statistics for men was 91.2%). This might be due to the changing female employment and the reduction in female labor force participant rate leading to the overall reduction of working hours.

However, when looking at the third and fourth quarter of 2020, women total working hours recover more rapidly than men, balancing out the number between the two sexes in the fourth quarter of 2020. Within the mentioned quarter, women increased 0.8% of their working hours while men increased 0.6% meaning women working hours had surpassed the previous by a greater percentage than men despite lower working participants. This might be due to the reopening of schools, businesses and economic activities leading Vietnam into the recovery state post-crisis. Both men and women increased their working hours to make up for their loss during the second quarter. Women especially spent 1 hour and 42 minutes more on working weekly than previously while this tendency in men was 36 minutes. According to provided statistics, women with jobs in 2020 had increased their working hours significantly to make up for their loss of income, the statistics might also increase quarterly due to women rejoining the labor force. Although the total number of female labor participation was lower, the working hours' outcome was a great effort in recovering after the first strike of COVID-19.

Although being an avid participant of the economy, women still had to carry the same amount of burden in taking care of children and housework. After COVID-19, both men and women increased their time doing the housework yet the result indicated that though women spent a certain amount of their time doing housework and serving their family, 20% of men still reported not helping or doing any housework. Those that confirmed to do housework only spend as much as 2/3 of women's time. In addition, family members with lower income or have more time are reported to be allocated and to participate in more housework (Leong and Bond, 2015) so women might be responsible to take care of children and housework as they suffer from lower wage and more unemployment rate.

This revealed an insight on how women's working quality and chances are affected by the double burden they had to face. According to the Labor Force Survey in 2018, roughly half of the non-working women reported to choose not to work due to "personal or family reasons" while only 18.9% of non-working reported the same situation. Labor economist Valentina Barcucci had stated that even before COVID, the working quality of women were already pretty poor when putting side-by-side with male workers.

V. LIMITATIONS AND CONCLUSION

The paper shows support to all three predictions stating that women in the labor force do face inequality. Although recent trend showed the increasement in unemployment rate, creating a gap between male and female workers, the underlying reason was deep-rooted before the pandemic occurred. The effect of unbalance occupation sorting was enhanced by the pandemic stressing a problem needed to be addressed. Uneven occupation sorting and labor distribution along with lack of promotional opportunities, double standard and few leadership positions might be held accountable for women's vulnerability in the labor force. This paper can be used as a reference resource for other research to scrutinize the labor force and the inequality in terms of gender.

This paper is lacking on many aspects. Firstly, the paper interpreted different data sources and pointed out the double standard in housework yet failed to account for its relationship with the work quality and the wage of female workers or how working hours and productivity correlate. Double standard is only predicted in this paper to be an underlying reason instead of a firm confirmation about the effect of double standard on female workers. Future research can use a more quantitative, empirical approach to tackle the problems in order to find out how these factors relate. Secondly, the method used in this paper based on secondary data of the labor force in general, therefore, any assumptions about behaviors of the labor force is not reliable. Qualitative research can be held to understand the motive of female labor in the Vietnam labor forces to further understand their decisions in choosing occupations or sectors. In addition, this research focused solely on Vietnam labor force in 2020 can might not be suitable for different time periods due to the unique characteristics of the year.

Economic development and recovering during and after COVID-19 pose a great challenge. With the new wave of the pandemic appeared in 2021, the economy though not recovering enough had to face with much threats. Gender inequality in Vietnam still puts forward unfavorable situation for female workers. 2020 has created new issues in terms of gender and further hinder women in pursuing their career. Women have the tendency to suffer more from transitions to unemployment,

work from home and reduction in working hours during the pandemic. The closure of businesses and social lockdown caused by COVID if pro-longed, the government should apply proper measures to secure and protect vulnerable aspects of the economy; future policy should also look into the hardship women are facing to reach the target of equality. Vietnam has unique characteristics as being Confucianism heritage, the gender roles are clearly determined while the Communism politic system bolsters equality. Through modernization, gender awareness is spread and help ameliorate gender inequality. With much being addressed, Vietnam still has a long way in changing the mindset which had been instilled as the Gender Attitude Index of Vietnam reported to be quite unfavorable (Grosse, 2015). Vietnamese women still face difficulties; double standard aiming at women has also been around for decades (Hoang, 2020). In Vietnam, gender equality has come a long way. With the advantages of rapid economic development and modernization, Vietnam can completely create quality working environment and conditions for both male and female workers.

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DETERMINANTS OF FIRM VALUE CHANGES IN THE CONTEXT OF COVID-19: AN EMPIRICAL EVIDENCE FROM LISTED COMPANIES ON HO CHI MINH STOCK EXCHANGE

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Abstract: *This paper examines determinants of changes in firm value during the Covid-19 pandemic in Vietnam. Empirical study on the listed companies on Ho Chi Minh Stock Exchange (HOSE) shows that Firm Size, Debt ratio, Industrial Characteristics, and Ownership Structure make the statistically significant impact on the change in firm value in the context of Covid-19. Large-scale companies seem to have the greater survivability than small ones; yet take more risk in operations. High-gearing companies have their firm value decreased due to the financial burden in the Coronavirus recession. The presence of institutional ownership or foreign ownership contributes positively to the stability of firm value during the Covid-19. Findings of the paper emphasizes the urgent need of Government bailouts for small companies, and the importance of accelerating SOEs restructure and equitization in Vietnam.*

Keywords: *firm value, listed companies, HOSE, Covid-19, empirical study.*

1. INTRODUCTION

Firm value is the most critical concern of shareholders because the higher the firm value is, the higher prosperity of shareholders. Moreover, the firms with high value can attract the trust of the investors since high stock will reflect the value of the company (Sukesti et al., 2021). Firm value is informative because basically investors rely on the financial indicators and firm value to make the investment decisions. Previous studies on firm value have witnessed a long debate about two main topics, the method for measuring firm value and the key drivers of firm value in various research settings. About the first topic, empirical studies mostly used Tobin's Q as a proxy for firm value. It also can be measured by capitalized value, or by Enterprise Value, which takes into account the debt obligation and cash reserve of a company. In term of the second school of thought, scholars have attempted to examine the determinants of firm value in various research settings. Sudiyatno et al. (2020) identified external and internal factors affecting firm value. Internal factors come from the firm specific characteristics, and external factors comprise macro-settings such as inflation, interest rate, and GDP growth. However, there exists an important external factor which made significant impact on firm value yet got less attention of scholars is disease pandemic occurrence. The globe had experienced several pandemics such as Zika fever, Ebola, SARS, MERS, dengue fever and H1N1. Since the early of 2020, the Covid-19 has spread over the world, leading to the lockdown of many countries, and the shrink of the global economies. Together with the economic downturn is the decline in most stock indices (WEF, 2020). For example, Dow Jones Industrial

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Average Index drop by 38 percent in March 2020 and Standard & Poor (S&P)'s Global Rating Index witnessed a 35 percent decrease in February 2020 (Johnson, 2020). Bose et al. (2020) found that Covid-19 caused a decline in firm value around the world; however, the magnitude of impact depended on the country devastating situation and firm sustainability performance.

During 2020, while the total cases of Covid-19 in Europe, UK, US, and other Asian countries increased profoundly, Vietnam maintained less than 1,500 cases by 23rd December 2020. However, similar to other countries, the long-time lockdown has resulted in the economic stagnation and the fluctuation of the stock market. Studies on the effect of Covid-19 in Vietnam found the huge impact of Covid-19 on the business performance and abnormal stock returns of listed companies in HOSE (Hung Dang Ngoc et al. 2021; Dao Le Trang Anh & Christopher Gan 2020; Dao Van Hung et al., 2021). These studies focus on the relationship between the number of Covid-19 cases and the abnormal returns of stock and examining this relationship in various window settings. The question of which factors contributing to the changes in firm value during Covid-19 still needs examining.

This paper addresses this question through an investigation on the determinants of firm value's change during Covid-19. Using the data from 205 listed companies on HOSE, we found that the change in firm value due to Covid-19 varied by firm size, debt ratio, industrial characteristics, and ownership structure; and no significant evidence was found for profitability ratios. Our paper is the first study on the determinants of firm value changes in the context of Covid-19. The findings could inform to the government about the priority in allocating stimulus package; and assist shareholders in making investment decisions during coronavirus recession.

We organize this paper in five sections. Section 1 is the rationale of the study. Section 2 discusses the literature review and hypothesis development for the study. Section 3 presents the data and methodology of the study. The results and discussion are reported in Section 4. Section 5 concludes the paper.

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

On 7th January 2020, Chinese government identified the coronavirus disease (Covid-2019) as the causative virus of a cluster cases of pneumonia in Wuhan City, Hubei Province, China. Globally, there have been about 238,521,855 confirmed cases of Covid-19 as of 13th October 2021, reported by WHO. Even though over 6 billion vaccine doses have been administered up to now, there has been the threat that the new mutations of the Covid-19 virus, such as Delta variant, would bring it back with stronger devastation. The spread outbreak of Covid-19 globally has impacted profoundly on various aspects of any economy, from the developed countries in European and North America to emerging and developing countries in Asia. Along with the significant increase in confirmed cases in 2020 was the economic recession since many countries follow the lock-down economic form of Wuhan City, which lead to the transportation restrictions and supply chain stagnation. The world trade drop by about 13% to 32% in 2020; the world economy shrank by 4.5 percent; the major countries lost 2.9% GDP (Statista.com by Sep 15, 2021).

Covid-19 has made a huge impact on financial markets all over the world since all companies suffered significant business losses (Bapuji et al, 2020). Previous studies found the significant

effect of infectious disease outbreaks on stock markets; yet Covid-19 is different from the others due to long lasting lockdown, quarantine and restriction on mobility and social contact in most of countries (Bose et al. 2021). Yang et al. (2020) reported the substantial increase of risk in financial sector, which could be transmitted to other industries. He et al. (2020) identified different reaction of the Chinese stock market to the Covid-19. Bose et al. (2021) provided a cross-border evidence on the relationship between Covid-19 and firm value. The authors showed that the more severe country-level devastation of Covid-19, the more profound negative impact of Covid-19 on firm value. This finding was also pointed out in the study of Zhang et al. (2020). Mishra and Mishra (2020) found the plunge in Asian stock markets as the consequence of Covid-19 outbreaks. The volatility in stock price in many stock markets has been observed and explained by the investors' pessimistic sentiments on future returns and fears of uncertainties (Liu et al. 2020).

The influence of Covid-19 on the Vietnamese stock market has been examined in several studies. Mishra and Mishra (2020) indicated that by the first quarter of 2020, as Covid-19 caused a nosedive of deaths in China, American and Europe, the Vietnamese stock market suffered the largest drop among four emerging ASEAN economies, by 29.3 percent between end-January to end-March. Dao Le Trang Anh and Gan (2020) found the adverse impact of daily increasing number of Covid-19 cases on stock returns in Vietnam. However, the pre-lockdown effect differed from the lockdown one. Similarly, Hung Dang Ngoc et al. (2020) reported that stock market reaction to Covid-19 varied by the information phase and industry. Some studies have paid attention to the reaction of stock market price in particular industries. Lai Cao Mai Phuong (2021) showed the quick response of the gas and oil industry stock price to Covid-19 information, which was evidence for the change in investors' psychology. Quang-Thai Truong et al. (2020) stated that Covid-19 made heterogeneous influence on different industry; and healthier financial firms had better stock performance.

In continuation to previous studies, we conducted an examination on factors affecting the firm value's change in Vietnam. We followed the findings of literature on the impact of Covid-19 on the stock markets and hypothesized that there exists a significant change in Vietnamese firm value due to Covid-19. And the change in firm value depended on the firm-specific characteristics. To summary, the hypotheses of our paper are:

H1- The Covid-19 caused significant changes in Vietnamese firm value.

H2 – The change in Vietnamese firm value due to the Covid-19 varied by firm-specific characteristics.

The firm-specific characteristics are identified based on the literature on determinants of firm valueⁱ, especially the studies on emerging and developing economies. We focused on Leverage, Ownership Structure, Industrial characteristics, Firm Size, Firm Age, and Profitability.

3. DATA AND METHODOLOGY

The study performed the empirical models to investigate the impacts of Leverage, Ownership Structure, Industrial Characteristics, Firm Size, Firm Age, and Profitability on the firm value of listed companies on HOSE. The study runs the empirical model using two samples. The first

sample comprises 205 companies listed before 2016. The second sample has 155 listed companies with sufficient data of ownership structure in a course of three years, from 2017 to 2019. The study uses secondary data, which were collected from the consolidated financial statements and the annual reports of 205 listed companies on HOSE from 2017 to 2020. The study uses the closing stock price at the end of year to compute the market value for each company. Data for ownership structure were collected from the annual reports.

To test the validity of the above hypothesis, the thesis performs three models. Model (1) examines the impacts of proxy variables (shown in Table1) on the change in Tobin's Q. The set of explanatory variables is kept for Model (2) and Model (3) but the dependent variable is the change in Enterprise Value and Market Value respectively. The data were processed using Stata software. The thesis run cross-sectional regression with the underlying assumption that firm value in Year (T) depends on firm specific characteristics in Year (T-1). Therefore, a change in firm value between Year (T) and Year (T-1) can be modelled as follow:

The empirical models:

Model (1)

$$\text{Tobin_1}_i = \beta_{01} + \beta_{11} * \text{Firmage2019}_i + \beta_{21} * \text{Hd2019}_i + \beta_{31} * \text{Size2019}_i + \beta_{41} * \text{Sales2019}_i + \beta_{51} * i1_i + \beta_{61} * i2_i + \beta_{71} * \text{Foreign17}_i + \beta_{81} * \text{institul7}_i + \epsilon_{1i}$$

Model (2)

$$\text{EV_dif}_i = \beta_{02} + \beta_{12} * \text{Firmage2019}_i + \beta_{22} * \text{Hd2019}_i + \beta_{32} * \text{Size2019}_i + \beta_{42} * \text{Sales2019}_i + \beta_{52} * i1_i + \beta_{62} * i2_i + \beta_{72} * \text{Foreign17}_i + \beta_{82} * \text{institul7}_i + \epsilon_{2i}$$

Model (3)

$$\text{Diff_1}_i = \beta_{03} + \beta_{13} * \text{Firmage2019}_i + \beta_{23} * \text{Hd2019}_i + \beta_{33} * \text{Size2019}_i + \beta_{43} * \text{Sales2019}_i + \beta_{53} * i1_i + \beta_{63} * i2_i + \beta_{73} * \text{Foreign17}_i + \beta_{83} * \text{institul7}_i + \epsilon_{3i}$$

Table1. An explanation of variables in the empirical models

Variable	Meaning	Measure
Dependent variables		
Tobin_1	The change in Tobin's Q	$\text{Tobin}_1 = \ln\left(\frac{\text{Tobin'sQ2020}}{\text{Tobin'sQ2019}}\right)$ <p>Where Tobin's $Q = \frac{\text{Market value of Equity} + \text{Book value of Debt}}{\text{Book value of Equity} + \text{Book value of Debt}}$</p>
EV_Dif	The change in Enterprise Value	$\text{EV_Dif} = \text{EV2020} - \text{EV2019}$
Diff_1	The change in Market Value	$\text{Diff_1} = \ln\left(\frac{\text{Market value 2020}}{\text{Market value 2019}}\right)$
Explanatory variables		
Firmage_2019	The length of time from the date that a company became a corporation until 2019	$\text{Firmage_2019} = 2019 - \text{Year of transforming to a corporation officially}$

Size_2019	This indicator reflects the capital size of a company	$Size_{2019} = \ln(\text{total assets of 2019})$
Hd_2019	This indicator refers to the capital structure of a company	$Hd_{2019} = \frac{\text{Total debts}}{\text{Total assets}}$
Sale_2019	This indicator reflects the business size of a company	$Sale_{2019} = \text{Net Sales of 2019}$
I1	Manufacturing industry	$I1 = \{1 \text{ if a company is a manufacturer } 0 \text{ for otherwise}\}$
I2	Construction industry	$I2 = \{1 \text{ if a company is a constructor } 0 \text{ for otherwise}\}$
I3	Utility service providing industry	$I3 = \{1 \text{ if a company is a service provider } 0 \text{ for otherwise}\}$
ROE2019	This indicator measures the profitability of a company	$ROE2019 = \frac{\text{Net Income 2019}}{\text{Shareholder's Equity 2019}}$
Insti2017	This indicator shows the institutional ownership in a company	$Insti2017 = \text{average (Institutional ownership from 2017 to 2019)}$
Forein17	Foreign ownership (both institutional and individual)	$Forein17 = \text{average (Foreigner's ownership from 2017 to 2019)}$

4. RESULTS AND DISCUSSION

4.1. Overview of firm value of listed companies on HOSE

Table 2. Classification of the study sample by industry

Industry	The number of companies	Percentage
Manufacturing (I1)	142	69.27%
Construction (I2)	29	14.15%
Service providing (I3)	34	16.59%
Total	205	100%

The sample of 205 listed firms is classified by industry as shown in Table 2. Manufacturing companies account for the largest proportion, with 69.27%. The number of construction companies is approximately equal to that of service providers.

To examine whether or not Covid-19 makes impact on the firm value of listed companies on HOSE, the paper conducted a paired t-test first. The following table reports the result of t-test on the sample of 205 listed companies on HOSE:

Table3. Comparison of firm value before and after the Covid-19

Variable	2020	2019	Difference	p-value
Market	5548273	5595375	-147101.8	0.8204
Tobin'sQ	1.765624	1.223509	0.5421147	0.2799
EV	8119276	7713791	405485.3	0.6204
One sample t-test				
Null Hypothesis			t-value	p-value
Mean (Tobin_1) = 0			2.5107	0.0128
Mean (EV_dif) = 0			0.4960	0.6204
Mean (Diff_1) = 0			5.1673	0.0000
Mean comparison by industry				
Mean (Tobin_1 of manufacturing) > 0			2.7612	0.0033

Mean (Tobin_1 of construction)>0	1.0950	0.1414
Mean (Tobin_1 of service providers) > 0	-0.8472	0.7985
Mean (EV_1 of manufacturing) > 0	0.5647	0.2866
Mean (EV_1 of construction)>0	-1.1375	0.8675
Mean (EV_1 of service providers) > 0	0.4038	0.3545
Mean (Diff_1 of manufacturing) > 0	6.2211	0.0000
Mean (Diff_1 of construction)>0	-0.4160	0.6597
Mean (Diff_1 of service providers) > 0	0.5021	0.3095

It could be seen from Table3 that the mean value of Market Size, Tobin's Q, and Enterprise Value is not significantly different. However, when the dependent variables are computed (see the measure in Table 3.1), one sample t-test reports significant difference from 0 at p-value <5% for Tobin's Q and at p-value <1% for Market Capitalization. Mean value of the dependent variables varies by industry. One side t-test shows that the mean value of Tobin_1 and Diff_1 in the manufacturing industry is higher than other industries at p-value <1%; however, no significant difference was found for Enterprise Value.

4.2. Empirical results

Table 4. Descriptive statistic of variables in the empirical study

Variable	Mean	Standard Deviation	Min	Max
Dependent variables				
Tobin_1	.0716092	.4088798	-2.066608	2.598607
Diff_1	.1469978	.388501	-1.914613	1.042433
EV_dif	-253035.3	1.15e+07	-1.32e+08	3.74e+07
Explanatory variables				
Firmage_2019	14.21935	2.835927	4	22
Size_2019	14.42415	1.288391	10.52889	18.43819
Hd_2019	.4698476	.2820536	.0026755	2.917469
Sales_2019	4372529	1.02e+07	188	7.50e+07
ROE_2019	.0881778	.2195203	-1.523028	.4700018
Insti2017	21.50721	24.23524	0	83.19
Forein17	13.1636	16.3092	0	63.23

Table 4 reports the descriptive statistics of variables in the empirical study. On average, the age of the sample companies is 14.2 years with a fluctuation of 2.836 years. The youngest firm was established 4 years ago. The ln (total assets) of the sample companies is about 14.424 million VND with a small standard deviation of 1.2883 million VND. The debt ratio of the sample is about 46.95%; however, some firms do not use debts in their capital structure while other firms make losses and have very high gearing. The average ROE of the sample companies in 2019 is 8.82%. Some companies have very high return on equity while some other companies show negative ROE, which was a result of a red bottom line in 2019. The Foreign ownership of the sample companies on average is 13.1636%. The difference in the percentage of foreign ownership is large. The maximum value of this variable is up to 63.23%.

The correlation matrix of variables in the empirical study is reported in Table 5. It could be seen that Firm age, Firm Size, Sales, and Debt ratio show strong relationships with dependent variables at p-value <1%. Foreign ownership shows a positive relationship with Firm Age at p-value <1%, with Sales at p-value <10%, and a negative relationship with the difference in market value at p-value <5%.

Table 5. Correlation matrix of variables in the study

Variable	Firmage_2019	Size_2019	Hd_2019	Sales_2019	ROE_2019	Insti2017	Tobin_1	Diff_1	EV_dif	Forein17
Firmage_2019	1.000									
Size_2019	0.0924	1.000								
Hd_2019	0.0758	0.0186	1.000							
Sales_2019	0.0928	0.6393***	-0.0150	1.000						
ROE_2019	-0.0367	-0.0089	-0.1695**	0.0889	1.000					
Insti2017	0.0166	-0.1079	-0.0926	-0.0895	-0.0882	1.000				
Tobin_1	-0.0005	0.2223***	-0.4556***	0.1920***	0.0398	-0.0857	1.000			
Diff_1	0.3428***	0.0457	0.0039	0.0421	0.1189	-0.0588	0.3109***	1.000		
EV_dif	0.1424*	-0.1362*	0.0531	-0.3279***	-0.0515	-0.0426	-0.4476***	0.2319***	1.000	
Forein17	0.1862**	0.3143***	-0.0514	0.3136***	0.1474	-0.0529	0.0056	0.0787	-0.1865**	1.000

Note: (***) p-value <1%, (**) p-value <5%, (*) p-value <10

Table 6. Empirical results of the study

Variable	Model (1)		Model (2)		Model (3)	
	Tobin_1		EV_1		Diff_1	
	Normal estimate	Robust estimate	Normal estimate	Robust estimate	Normal estimate	Robust estimate
Firmage_2019	.0133695	.0133695	222692.6	222692.6	.0444661***	.0444661***
Size_2019	.0596218**	.0596218**	311920	311920	.055806*	.055806*
Hd_2019	-.6991533***	-.6991533***	-56438.34	-56438.34	-.0045042	-.0045042
Sales_2019	-1.50e-09	-1.50e-09	.2699088***	.2699088	7.11e-09	7.11e-09
ROE_2019	-.205159	-.205159	347292.3	347292.3	.0721957	.0721957
I1	-.2401981**	-.2401981*	-1480177	-1480177	-.0941734	-.0941734
I3	-.0681645**	-.0681645**	836948.5	836948.5	.120052	.120052
Insti2017	-.002157**	-.002157*	-45476.59	-45476.59	-.0009823	-.0009823
Forein17	-.0037083**	-.0037083**	-4811.933*	-4811.933	-.0007188	-.0007188
Cons_	-.1670929	-.1670929	-2663293	-2663293	-.5466374	-.5466374
Model summary	F(9,104)=9.62	F(9,104)=9.24	F(9,104)=3.67	F(9,104)=1.34	F(9,104)=2.75	F(9,104)=2.74
	p-value =0.000	p-value =0.000	p-value =0.0005	p-value =0.2258	p-value =0.0063	p-value =0.0065
	Adjust R-squared =0.4071	R-squared =0.4544	Adjust R-squared =0.1752	R-squared =0.2409	Adjust R-squared =0.1224	R-squared =0.1923

Note: (***) p-value <1%, (**) p-value <5%, (*) p-value <10%

Table 6 shows the empirical results of the determinants of firm value of listed companies on HOSE. The explanatory variables in the Model (1) explain 45.44% change in variance of Tobin's Q of listed companies on HOSE. There is no significant impact of Firm Age on the change in Tobin's Q; however, the positive sign of the parameter shows that the fluctuation in firm value seem to be smaller for younger firms. Sales and Profitability in 2019 do not show significant effect on the change of firm value. In contrast, Firm Size, Debt ratio, Industry characteristics, and Ownership structure are key driving forces of the change in firm value of listed companies on HOSE in the context of Covid-19. Firm Size makes positive impact on the change in firm value. That means a big scale company witnesses a large increase in Tobin's Q. Alternatively, big companies can survive better than small companies in the context of Covid-19. It could be explained by the fact that most big companies are consumer goods producers, which have stable demand during the recession period. This statement is affirmed by the negative impact of I1 and I3 on the change in firm value. That means manufacturing companies and necessity service providers still maintain the market position during the Covid-19. Debt ratio shows a negative significant impact on the change in Tobin's Q. That means high gearing firms reduce its firm value in 2020. This result emphasizes the fact that high debt ratio is harmful to firms during the hard time because of high interest expenses. High gearing firms become less attractive in the recession period. Regarding to the effect of ownership, the presence of institutional shareholders and foreign shareholders reduces the dispersion of firm value between two years. The firm value of companies with higher institutional ownership or foreign ownership seems to be more stable than lower ones. This result could be explained by the calming effect of foreign ownership or institutional ownership on the stock market, which was found in the study of Vo (2015, 2016), Truc et al. (2020).

For the dependent variable EV_1, which measure the change in Enterprise Value, the robust estimation shows the irrelevance model with p-value = 0.2258. The normal regression estimation reports the negative effect of Sales on the change in Enterprise Value of listed firms on HOSE at p-value <10%. That means firms with large sales in 2019 seem to experience a decline in enterprise value due to the Covid-19. There are two potential explanation for this result. First, sale-dominated firms mostly belong to construction or manufacturing industry, which suffers a plunge in demand. Second, enterprise value is sensitive to the free cash flow and the average required rate of return, which heavily depend on the business performance of a company.

For the dependent variable Diff_1, which measures the change in Market Capitalization merely, the significant effect was found for Firm Age and Firm Size. This result expresses the importance of a firm scale during the hard time. Big scale companies have higher change in market value, but together with more risks in operations. Firm Age made a positive impact on the change in firm value at p-value <1%. The older the firm is, the higher market value is. Previous studies on the relationship between firm age and firm value reported the positive result since the age of a company may influence on its quality and quantity of resources embedded in it (Gunu & Adamade, 2015); its accumulated experience and learning (Olumide, 2010); innovation (Frunling & Siau, 2007). This finding confirmed that during the recession period, older firms seem to be more resilient than younger firms despite the encounter argument that newer companies are more innovative performance (Felekoglu, 2007) or more flexible and have rapid adaptation to the changes in business environment.

5. CONCLUSION AND MANAGERIAL POLICY RECOMMENDATION

The firm value of companies listed on HOSE in 2020 increased slightly compared to 2019 but no statistical difference was seen when comparing mean value between the two respective years. However, when assessing the rate of change of firm value, both Tobin's Q and the market value of 2020 were higher than that of 2019. This result implied the recovery of Vietnam stock performance after the first lockdown period in January 2020. Previous studies on the relationship between Covid-19 and the stock market returns reported the negative effect on stock returns such as Al-Awadi et al. (2020) in China over the period 10/01/2020 to 16/03/2020; Ambros et al. (2020) in US, Asia, and Europe from 01/01/2020 to 31/03/2020; Harroon & Rizvi (2020) in US and over the world from 01/01/2020 to 30/04/2020 with a finding that panic news contribute to stock volatility; Ali et al. (2020) found global spread of volatility during the first quarter of 2020. However, the situation of Covid-19 in Vietnam in 2020 was different from the big markets such as China, US, Europe, Japan, and Korea thank to the strict lockdown policy of the Vietnamese government and the cooperation of national citizens. Findings of literature on reaction of the Vietnamese stock market to Covid-19 also confirmed the positive effect of Covid-19 lockdown on stock performance (Dao Van Hung et al. 2021; Dao Le Trang Anh and Gan, 2020). VN-Index, After the first downturn from 966.67 points on January 2nd 2020 to 680.23 points, witnessed the gradually increasing tendency until the end of 2020, reached to 1103.87 points. It also emphasized the case of the intensified excitement of Vietnamese stock market in 2020. While in the first VN-Index had the tendency to decrease due to the immediate impact of Covid-19 and the first lockdown period, the stock market still rallied with the positive prospects of Vietnamese Economy from the World Bank, Asian Development Bank, and HSBC. Vietnam was one of a few economies maintaining a positive growth rate of 2.47% in the first year of Covid-19 era.

The firm value's change during Covid-19 period also varied by firm specific characteristics. We identified some critical factors to the change in firm value, including Firm Size, Firm Age, Leverage, Industrial characteristics, and Ownership structure. There are industries that benefits significantly from the effects of the pandemic season and the lockdown period, such as manufacturing and processing companies plus the fact that the demand for such products is stable and tends to surge significantly in the lockdown period. Also included are large cap stocks in the pharmaceutical, dairy, and fast-moving consumer goods industries, which provide necessities for the whole country during Covid-19.

It can be seen from the results that financial risks from the high debt ratio have become a challenge for businesses during coronavirus recession time. Firms with high leverage experienced a decline in market value as well as the lower expectation of investors. The significantly negative effect of debt ratio on the firm value emphasized the signal role of leverage during the pandemic period, and the opinion that better financial health firms are more immune to the pandemic (Ding et al., 2000). Other factors contributing to the firms' immunity to the Covid-19 comprise Firm Size and Firm Age. Firm size is considered as a source of organization costs (Shepherd, 1972) and the diversification proxy, which negatively impact on performance (Rumelt, 1982; Porter, 1987; Wernerfelt and Montgomery, 1988). However, during the economic downturn, firm size can be seen as the resource controlled by a firm. The more resources a firm can control, the higher probability of survivability and recovery (Capon, 2013).

Furthermore, the research results also confirm the importance of foreign shareholders as well as majority shareholders to firm value during recession. The results are consistent with previous studies on the impact of foreign ownership on the fluctuation of firm value in Vietnam. Foreign investors' activities have a strong impact on listed companies, especially companies on HOSE, a stock exchange with significant openness and involvement of foreign investors.

Through a deep dive into internal factors contributing to firm value's change during the first year of Covid-19 recession, we make some recommendation for policy makers regarding economic stimulus package and program, as well as for the companies to overcome the recession phase. First, the stimulus package and supporting programs should put the small and medium size companies in priority. They are the most vulnerable groups in Covid-19. The first Round of Covid-19 Business Pulse Survey of WB (2020), merely about 20 percent of small and medium enterprises accessed government supports while most receivers were large firms since SMEs were ineligible and unaware of the support policies. The government should specify the particular requirements for each group of business, together with facilitating the information flows, to channel the supporting sources to the right businesses. Second, stimulus package and supporting program need to pay high attention to digital platform transformation and cash flow management. Despite the fact that 81 percent of surveyed firms reported substantial decrease in revenue, 47 percent turned to digital platform to adapt to the negative shocks from the Covid-19. ICT plays critical role to the survivality and recovery of any firm during and after Covid-19. Digital transforming is also the strategic goal of Vietnamese government in the next decade. Therefore, the government should combine digital transformation and ICT adaptation for firms in stimulus packages to ensure the sustainable effects of these packages.

Another important consideration is debt restructuring and cash flow management. According to WB (2020), 66 percent of firms are facing the decline in cash flow. This problem becomes more severe for firms with higher debt ratio because of interest burden and the poor operating gross income. Even though in April, 2021, The State Bank issued Circulars 03/2021/TT-NHNN requesting credit institutions to restructure loans and reduce/exempt interest charged to borrowers, the projected objective is far reaching due to the benefit conflict between banking system and companies. Financial system is unstable during coronavirus recession time, and banking system experienced a large downturn when savers withdraw money and excessive underperforming loans. There exists the dilemma of banking sector action. Expanding credit grant means taking more risk and reduce the profitability of banks. Therefore, the government should combine various stimulus packages, in short-term and long-term vision, to lessen the burden for the banking system and promote the responsibility of businesses in the battle against Covid-19.

The significant effect of ownership structure on the change in firm value emphasized the importance of institutional ownership and foreign ownership in the Vietnamese stock market. Firm value's change can be considered as the risk factor from investor's perspective. We could observed the presence of institutional shareholders and foreign shareholders positively contribute to the stability of stock performance during the pandemic time. Therefore, after the back-to-new normal life cycle, the government should facilitate the reform and restructuring program for State-Owned Enterprises, as well as the process to modernize the Vietnamese stock market.

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RESTRUCTURING STATE BUDGET REVENUE SUSTAINABLY TO PROMOTE THE DEVELOPMENT OF NON-STATE ENTERPRISES - A CASE STUDY OF NGHE AN PROVINCE

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Abstract: *Non-state enterprises are now playing an important role in Vietnamese economy. It is predicted to be the main sector to contribute to the sustainable development of our economy in the near future. Therefore, Vietnamese government is implementing several policies, especial restructuring state budget revenue sustainably to promote this private economic sector. In this paper, author chose Nghe An as a case study to analyze the situation of restructuring state budget revenue sustainably to promote non-state enterprise sector. The authors employed theoretical and practical research methods to research the case study of Nghe An. The main research finding is that Nghe An local government has conducted innovative policies to restructure state budget revenue to boost up the growth of private economic sector such as special tax incentives at local industrial parks, exemption from non-agricultural land use tax for local industrial parks and free for businesses subsidies in advertising, promotion, and labor training. Basing on the research, the author would like to propose several solutions to complete this strategy in the future.*

Keywords: *State budget revenue, restructuring state budget revenue, fiscal sustainability, promote private economic sector.*

1.INTRODUCTION

By virtue of its location, Nghe An has a coastline of 82 kilometres with convenient access to three deep seaports. The province also boasts an international airport, a railway station, good quality national highways, and four border gates to Laos. The province provides also sufficient cross-border connectivity for investors to key markets in the region such as Laos, Thailand, and China. In addition, Nghe An's infrastructure and expressway network has been accelerated for competition. A new expressway is slated to be completed in 2022, along with a high-speed train and Vinh International Airport, which will further improve the regional links and establish the province as a major industrial hub of Vietnam. Furthermore, Nghe An is attracting investors thanks to its abundant labour force. The province has a population of 3.2 million people, of which 1.9 million are of working age [1].

In the 2016 - 2019 period, 6,969 new non-state enterprises were established, an average increase of 9.1% per year, the average registered capital in 2019 was VND 8.8 billion per enterprise, doubling the number of new non-state enterprises established in 2015. Until 2019, the total number of registered enterprises was 21,539, of which 12,399 are operating (accounting for 57.6% of the total number of registrations), contributing about over 40 percentage of the total provincial

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budget revenue and creating much more jobs for local people. These enterprises employ over 202 thousand people. The non-state enterprises are now contributing more and more to the economic growth of Nghe An.

However, despite the rise of the number of non-state enterprises in Nghe An, it is undeniable that non-state enterprises in Nghe An are mainly small and medium enterprises, mainly specializing in trading and goods processing. Along with that, the level of technology used in these enterprises is still old and not up-to-date, which will obstacle the innovation of companies. Moreover, the linkage between non-state enterprise in the province is extremely weak, no clustering created and the ability to participate in domestic and international value chains is low. Therefore, strengthening the support and promoting the development of non-state enterprises does not only rely on the self-reliance, but also requires the help from local government.

One of the policies supporting the development of the non-state-enterprise sector of Nghe An is restructuring local state budget sustainably in order to regulate the state budget revenue, create incentives for non-state enterprises. Incentives of tax, land rental fee and other fees, etc will create impetus for the development of the non-state enterprises. Therefore, the author has chosen the topic "Restructuring state budget revenue sustainably to promote the development of non-state enterprises – a case study of Nghe An province" for researching.

2. LITERATURE REVIEW

The relationship between state budget revenue and economic growth was tested by Nguyen Huu Hieu (2019). In his study, the ordinary least-squares regression method is used with secondary data collected from General Statistics Office of Vietnam in the period of 2000-2017. Vietnamese state budget revenue includes domestic revenue (excluding oil revenue), oil revenue, custom duty revenue, and grants. The testing result shows that the state budget revenue has a positive correlation with economic growth of Vietnam. However, the components of state budget revenue have different levels of impact on the economy. Domestic revenue and oil revenue are statistically significant and have a positive effect on the economy, while the impact of custom duty revenue and grants on the economy is invisible. Vietnamese state budget revenue should be restructured toward the sustainability and by way of boosting the economy, specifically: (1) Increase the proportion of domestic revenue to state budget revenue and domestic revenue should be based on the ground of production and business activities rather than collection from state-owned assets; (2) Reduce the proportion of custom duty revenue and grants to state budget revenue; (3) Keep the volume and ratio of oil revenue in state budget revenue at an appropriate proportion.

From research of Maswadeh, Sana'a.n (2016), a result of the analysis revenues, expenditures, the Jordanian deficit of the budget, the internal and external debts, the study concluded with a number of findings and recommendations that called Jordanian decision-makers concentrate on the structure of public revenues and expenditures in the Jordanian public budget so as to enhance rationalization of public expenditures, and raise the public revenues through a conscious policy making that ensures diversification of income sources and optimal use of resources. The study emphasized on the effective employment of external and internal loans in investment rather than consumption projects for purpose of raising the level of gross domestic product GDP, as doing so

assists the best exploitation of the hidden strengths which reflect on increasing the direct and indirect public resources with an effect of reducing the deficit level in the public budget. The government shall adopt transparency and adopt reform programs such as financial liberation, free foreign trade, partnership between public and private sectors in some areas so long as such countries entrenched in a vicious cycle of ineffective financial policies which were a result of cumulative deficit in the public budget over years and doubled internal and external debts. Therefore, the public budget should be viewed as an integrated process in which one element has an effect on the other elements and poorly made decision will negatively affect the other parts in a way or another.

Vuong Thu Hien and Vu Thi Tam Thu (2020) mentioned the restructuring of state budget revenue currently and its positive impacts on the economy. The structure of state budget revenue in Vietnam in recent years has had positive changes, the scale of the state budget is increasingly expanding. The policy of mobilizing resources for the state budget is now continuously completed with reasonably and timely mobilizing resources from production and natural resources and land. The article proposes five main solutions to reform the state budget revenue structure in Vietnam sustainably, such as accelerating economic structural reform, maintaining a stable economic growth rate, and increasing state budget revenue from the internal resources of the economy, gradually reducing dependence on revenues from crude oil, strengthening management measures of tax authorities, improving the efficiency of management and use of public assets, paying more attention to develop the revenue sources and improve the operational efficiency of the budget regulation system.

Nguyen Thi Thanh Hoai, Ly Phuong Duyen and Chu Van Hung (2020) shows their views on structure of state budget revenue as following: (1) the structure of state budget revenue is influenced by various factors such as the structure of the economy; national natural resources, mechanisms of state budget mobilization; (2) a reasonable state budget revenue structure is very important not only to ensure the sustainability of state budget revenue, but also to affect socio-economic development, so governments should pay special attention to the structure of state budget revenue. Then, the article analyzes the current state of Vietnam's state budget revenue structure and proposes some recommendations to change the state budget revenue structure towards sustainable development in the coming period (2021-2025).

3. METHODOLOGY

The authors used theoretical and practical research methods to form this article. Regarding theoretical research methods: On the database, information is available in documents and documents by logical thinking manipulations to draw necessary scientific conclusions for the research problem. Specific methods such as: Analytical method and theoretical synthesis; theoretical classification and systematization methods; Hypothetical methods and historical methods. Regarding practical research methods: Using methods directly applied to research problems in practice to understand the nature and law of the problem, including: scientific observation method; methods of investigation, interview, survey; analytical method to summarize experience and consultation with experts.

To obtain this article, the authors used documents such as textbooks, article to provide conceptual and theoretical content as a basis for research. At the same time, based on research

results that have been published in journals, topics and reviews, the authors have made assessments about the current status of night-time economy.

4. RESEARCH RESULT

4.1. The current situation of state budget revenue in Nghe An

The scale of state budget revenue of Nghe An

Unity: million Vietnam dong

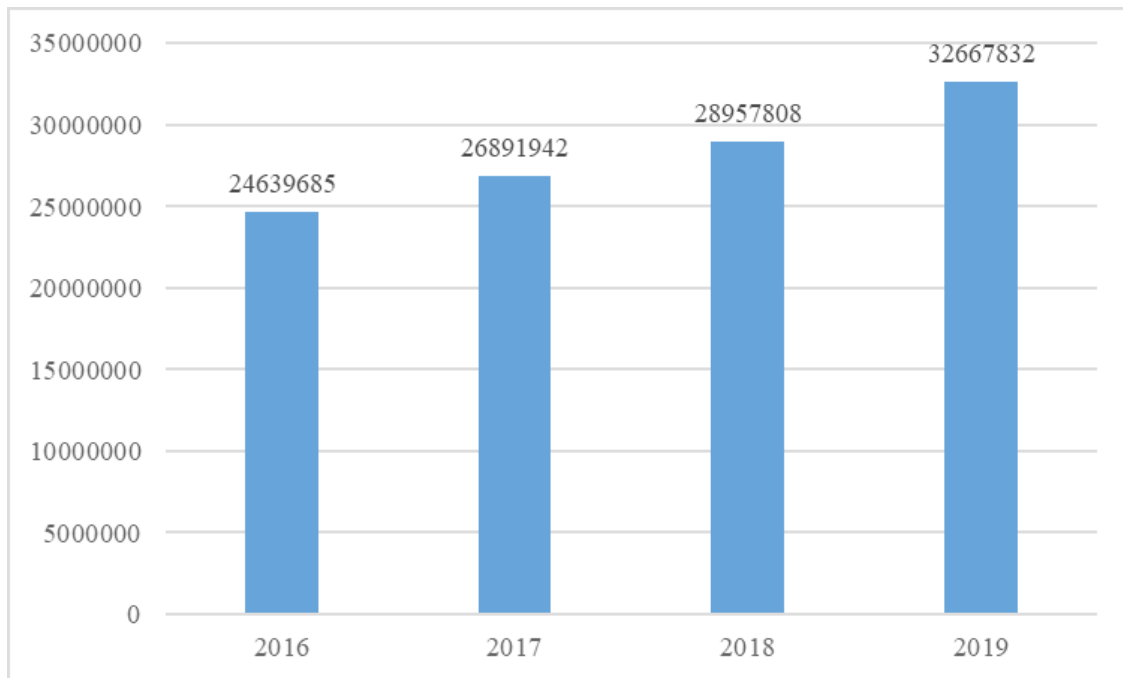


Figure 1: The scale of state budget revenue in Nghe An (2016-2019)

Source: [2]

In terms of total state budget revenue of Nghe An province in the period 2016-2019, there was a trend to increase continuously. Total state budget revenue in 2016 was VND 24,639,685 million, by 2019 it increased to VND 32,667,832 million, i.e. an increase of VND 8,028,147 million (equivalent to 32.58%). The growth rate of state budget revenue over the years respectively was 9.14% (2017/2016); 7.68% (2018/2017) and 12.81% (2019/2018). The continuous increase in state budget revenue also shows the efforts of the local government in improving the efficiency of state budget revenue, strengthening the management and supervision of state budget revenue.

Structure of state budget revenue in Nghe An

During 2016-2019, the structure of state budget revenue of Nghe An province was tending to shift towards gradually reducing the proportion of additional revenue from the central state budget and increasing the proportion of local state budget balance revenue. The proportion of local state budget revenue was increasing, from 39.43% in 2016 to 41.19% in 2019. Meanwhile, the proportion of local budget revenue from additional sources of the central budget decrease from 50.63 percent in 2016 to 49.30% in 2019. The proportion of revenue transferred from the previous

year to the next year also increased, thereby showing that the province had a clear orientation in budget allocation and progress to three-year state budget-financial planning in accordance with the guidance of the central government.

Table 1: The structure of local state budget revenue in Nghe An 2016-2019

Content	2016	2017	2018	2019
1. Local balance state budget revenue	39.43%	37.97%	39.29%	41.19%
2. Revenue from previous year's balance	1.03%	1.14%	1.00%	1.12%
3. Revenue transferred from previous year to next year	5.16%	5.36%	8.69%	8.38%
4. Additional revenue from central state budget	50.63%	54.21%	49.88%	49.30%
5. Other revenues	3.75%	1.31%	1.14%	0.01%
Total	100%	100%	100%	100%

Source: By Author

Besides the proportion of revenues in the total domestic local revenue (belonging to the local budget balance revenue) of Nghe An province, these revenues playing an important role in creating the stability of the province's budget revenue. In the total domestic revenue of Nghe An province, there are two sources of revenue that account for the largest proportion during the 2016-2019 period: revenue from non-state enterprises and land use levy. The total proportion of these two revenues always accounts for over 60% of the total domestic revenue of Nghe An province. Followed by revenues from state owned enterprises in the province, environmental protection taxes and registration fees also make an important contribution to the total domestic revenue in Nghe An. In order to move towards a more sustainable state budget revenue structure, Nghe An should increase the province's domestic revenues, especially revenue from local businesses.

Unity: million Vietnam dong

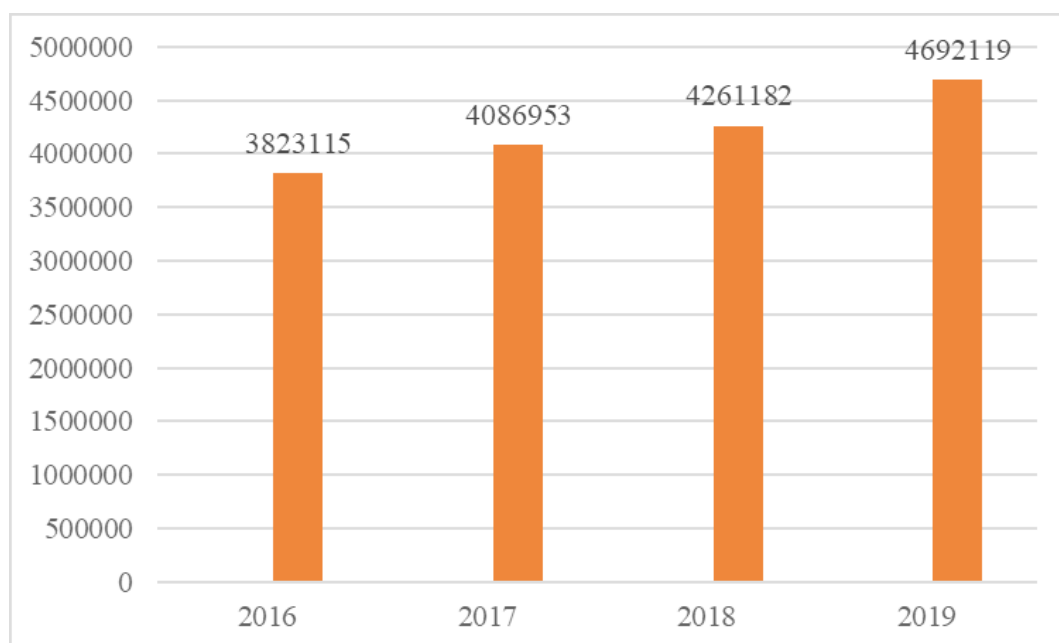


Figure 2: State budget revenue from non-state enterprises in Nghe An 2016-2019

Source: [2]

During the period of 2016 – 2019, the state budget revenue from private sector in Nghe An increased gradually, from 3,823,115 million Vietnam dong to 4,692,119 million Vietnam dong. The state budget revenue from private sector in Nghe An is considered as a sustainable revenue of the province.

4.2. Restructuring state budget revenue sustainably to promote the development of non-state enterprises in Nghe An

To meet requirements of investors, the province has gradually improved a synchronous infrastructure system to facilitate travel and goods circulation. A number of projects to upgrade and expand National Highway 1A, build a flyover on National Highway 46 crossing the North-South railway and Vinh city bypass have been completed. Regarding cargo transportation, the construction of a container terminal in Cua Lo port's wharves 5 and 6 commenced on April 3, 2019 was expected to accommodate container vessels of a tonnage of up to 30,000 DWT once commissioned in 2016. Cua Lo port would be the first international seaport in northern Central Vietnam that can serve direct shipping routes to Hong Kong and Singapore.

Nghe An local government has conducted innovative policies to restructure state budget revenue to boost up the growth of private economic sector, as following:

First, special tax incentives at local industrial parks: The constantly improving investment environment and preferential treatment such as special tax incentives at local industrial parks have paved the way for the stellar rise of investments in the province. Regarding corporate income tax, the government has issued a preferential tax rate of 10 percent for 15 years for the Dong Nam EZ, in which businesses operating in this EZ will receive a corporate income tax exemption for the first four years and a 50 percent reduction in the subsequent nine years. For industrial parks in areas with difficult socio-economic conditions such as Nghe An, the government offers a tax rate of 17 percent for 10 years, in which businesses are exempt from corporate income tax for the first two years, and will receive a 50 percent reduction in the subsequent four years. Corporations in the Dong Nam EZ and in other areas such as Tan Ky, Nghia Dan, and Thanh Chuong districts with difficult socio-economic conditions are eligible for an exemption from import tax for products used to create fixed assets such as machinery, equipment, specialized transportation vehicles during production, and construction materials produced in Vietnam. The structure of state budget revenue will change with the percentage of revenue from corporate income tax and import tax reducing, but increasing the other tax and fee from private sectors in the province [3].

Secondly, exemption from non-agricultural land use tax for local industrial parks: The government has also issued an exemption from non-agricultural land use tax for businesses in the Dong Nam EZ, and a 50 percent reduction for industrial parks in Tan Ky, Nghia Dan, and Thanh Chuong [3].

Thirdly, free for businesses subsidies in advertising, promotion, and labor training: For the first three years of operation, investment enterprises in Nghe An are exempt from the cost of advertising products on provincial mass media such as radio, television, and newspaper. Further, investment enterprises are supported and encouraged to advertise their images on the official portal of Nghe An province, as well as on other websites such as the Department of Planning and

Investment, and Nghe An Economic Zone Authority. The government also offers labor training incentives for investment projects with more than 200 employees. To be eligible, employees need to have a permanent residence in Nghe An, have undertaken training courses at or outside of their manufacturing facilities, and received certificates for their training. The provincial government will then offer an incentive of US\$65.22 per employee if they meet the above requirements [8].

5. CONCLUSION

Local state budget revenue is related to the operation of the economy as well as the social development of the locality. Through local state budget revenue, Nghe An can regulate socio-economic activities; limit negative impacts, enhance positive impacts, thereby promoting socio-economic development. By implementing revenue policies through regulations on taxes and fees, Nghe An can control and regulate in order to orient the economic structure, investment and consumption activities of the locality.

In addition, state budget revenue also plays an important role in regulating the income of individuals through taxation, thereby, reducing the gap between the rich and the poor, creating conditions to stabilize the lives of low-income people. Hence, when restructuring state budget revenues by reducing some tax revenues and creating new revenue policies, resources for development will be reallocated, leading to changes in the economic structure of the province. When the province implements a sustainable restructuring of state budget revenue with the orientation of supporting the development of the non-state-enterprise sector, this area will have more opportunities to add value to the local economy.

In the period from 2020 to now, facing the influence of the Covid-19 pandemic, the private economic sector in Nghe An has been facing many difficulties and challenges to survive. To ensure that the non-state enterprises can recover from the Covid-19 pandemic, the Nghe An provincial government needs to research and implement more incentive packages to reduce taxes, fees and charges to support businesses during these hard times, detailed as below:

Firstly, reducing the total corporate income tax of non-state enterprises in 2021 for companies suffering a downturn of revenue by the effect of covid-19 pandemic.

Secondly, reducing value-added tax from October 1, 2021 to the end of December 31, 2021 for enterprises in the following fields: transportation (railway, waterway, airway and roadway); lodging; food and beverage services; publishing; cinematographic, television program production, sound recording and music publishing; travel agencies, tourism and advertising related to the promotion and organization of tours; creative, entertainment; libraries, museums and other cultural activities; sports.

Thirdly, exemption of late payment of tax, late payment of land use levy and late payment of land rent arising in 2020 and 2021 for enterprises and organizations (including dependent units, business locations) loss in 2020, does not apply to cases where late payment interest has been paid.

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SITUATION OF SUSTAINABILITY REPORTS DISCLOSURE AT LISTED COMPANIES OF FOOD INDUSTRY IN VIETNAM

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Abstract: *Economic development associated with environmentally sustainable development is becoming an urgent requirement for every country. Therefore, organizations and businesses must be responsible for the environment and society. Social and environmental responsibilities can affect their performance and reputation, and organizations should take responsibility for the impacts of their activities on the environment and should show them in their annual sustainability reports. The purpose of this research is to discuss the concept of social responsibility and sustainability reports; Sustainability reports of listed companies in the food industry on the Vietnam stock market, in order to make some recommendations to improve the quality of sustainability reports of food listed companies on the stock market.*

Key words: *Environmental responsibility, Social responsibility, Sustainability reports, Food industry*

Environmental sustainability is being an urgent global issue. Gray (2006) evaluated the necessity for environmentally sustainable development by providing estimates of human overexploitation of natural resources. Currently, as the environment is gradually being destroyed and the ozone layer is severely affected leading to global warming and climate change, businesses must change the way they run their businesses. They must disclose and be responsible for the beneficial as well as harmful effects of their activities on society and environment. Therefore, the concept of corporate sustainability is of great importance and has become a competitive advantage for businesses. The World Business Council for Sustainable Development (2002) has defined corporate sustainability as the commitment of the businesses to operate in the way that contributes to sustainable economic development and improves life quality of employees, employees' family members, the local community and society in general. Current reality shows that, besides financial information, businesses need to make reports on activities for sustainable development. Sustainability reports along with financial reports aim to provide full information about the business to related parties. A sustainability report is information of the business about its sustainable development commitments and activities to fulfill these commitments. The author will present an overview of the content of a sustainability report. From that, the article will evaluate the current situation of sustainability reports of listed companies in the food industry. This article aims to achieve the following objectives: to provide an overview of the concept of corporate social responsibility, environmental responsibility, sustainability term and sustainability reports;

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current situation of sustainability reports of listed companies in the food industry and make recommendations.

Overview of the concept of corporate social responsibility and sustainability reports

The concept of corporate social responsibility has its origins in the 1950s, but its meaning was really taken into account in the early 1970s. According to Choi (2008), social responsibility is related to corporate responsibility to employee's welfare, local communities and the environment. ISO 26000 is the international standard for corporate social responsibility published in November 2010. Environmental responsibility of the business and its activities that impact on the environment, such as pollution of water, air, land and noise are both mentioned. Eccles and Krzus (2010) found that there has been a global concern about the long-term negative impact of industrial activities on the environment which reduce the economic performance of businesses and their countries in general. Environmental impacts include the greenhouse effect, toxic substances, pollution generated during production and ozone depletion. Businesses are required to disclose information about their environmental impact and demonstrate their commitments to environmental sustainability. Many researchers have argued that sustainability means satisfying the needs of the present generation without compromising the ability of satisfying the need of future generations. Elkington (1998) has suggested that sustainability comes from a balance on three aspects including: profit (economy), people (society) and planet (environment). Therefore, sustainability reports are an inevitable consequence for enterprises to announce and take responsibility for their activities to related parties towards sustainable development. Enterprises prepare and publish sustainability reports to disclose information and evaluate the performance of enterprises on environmental and social aspects in addition to information on financial performance and capital management that is disclosed as usual. Sustainability report is a new way to build and quantify the value of a business. Sustainability report helps the business to disclose sustainability information in a similar way to financial reports. Through transparency, accountability and responsibility reporting, businesses strengthen the confidence of related parties in the business and the economy in general. The reporting process at the same time promotes improvements in many aspects of production and business activities. At a basic level, sustainability report is a tool that can improve an enterprise's awareness of business risks and new opportunities. From this perspective, sustainability report helps businesses prepare for new development trends, decentralizes responsibilities and improves the management system to gradually improve performance efficiency.

Information disclosure on sustainable development of listed companies

Circular No. 155/2015/TT-BTC of the Ministry of Finance is the first legal document requiring listed companies on the Vietnamese stock market to disclose information on sustainable development. Listed companies can prepare their own sustainability reports or make them integrated in their annual reports. The content of the reports on the impact on the environment and society includes 6 main issues: (1) Management of raw materials; (2) Energy consumption, water consumption; (3) Compliance with the law on environmental protection; (4) Policies related to employees; (5) Reporting regarding responsibility to the local community; (6) Report related to green capital market. Circular No. 155/2015/TT-BTC takes effect from January 1, 2016.

More than 4 years since Circular No. 155/2015/TT-BTC coming into force until now, the sustainability reports of listed companies have become better significantly. Fiscal year 2016 is the first year that businesses had to report on sustainable development information, so many businesses were in passive position, the report contents were sketchy, and some businesses even ignored these contents. However, by 2017, there were only a few businesses that had not shown the contents of sustainable development in their reports. The report contents of businesses focused on 05 requirements of Circular No. 155/2015/TT-BTC, which are management of raw materials, energy consumption, water consumption, compliance with the law on environmental protection, policies related to employees, and reports related to responsibility to the local community. However, at that time, there were still many businesses that did include the contents related to the green capital market on their reports.

In the fiscal year of 2020, the performance of sustainability reports of listed companies has gradually stabilized. The majority of enterprises integrate the content of sustainability report into the annual report and the presentation has basically complied with the requirements of Circular No. 155/2015/TT-BTC. Meanwhile, some businesses present their own sustainability reports separately with the rich contents. Typical companies with high-quality sustainable reports are Bao Viet Group, FPT Joint Stock Company, Hoang Anh Gia Lai Joint Stock Company, Vietnam Dairy Products Joint Stock Company Vinamilk, Vingroup, Ho Chi Minh City Securities Joint Stock Company, PetroVietnam Fertilizer and Chemicals Corporation, Hoa Sen Group, Gemadept Joint Stock Company... in which, many companies have prepared the reports under the guidance of the Global Reporting Initiative (GRI).) such as Bao Viet Group, FPT Joint Stock Company, Hoang Anh Gia Lai Joint Stock Company, Vietnam Dairy Products Joint Stock Company... These reports have been highly appreciated by international organizations and even honored with awards for sustainability reports.

Overview of Vietnamese food businesses

For many years now, food has always been one of the important economic sectors with great potential for development in Vietnam. Vietnam's food processing industry includes small sub-sectors such as meat processing and preservation, seafood processing, cooking oil, vegetables and fruits, milk, starch... Vietnamese food products not only satisfy the demand in domestic market but also succeeded in the world export with a high position. Vietnam is gradually becoming an important and various source of agricultural products and food for many countries around the world.

The number of enterprises operating in the food processing industry is not big (accounting for nearly 1% of the total number of enterprises all over the country), but this is one of the key industries with great potential for development in Vietnam, accounting for more than 20% of the net sales of production and trading in the processing and manufacturing industries every year. Vietnam's food processing industry is on a strong growth trend, gradually supplying more competitive products, dominating the domestic market and increasing exports. Since 2015 until now, the manufacturing and processing industry in general has always maintained a growth rate of over 10%/year. Meanwhile, the food processing industry accounts for the largest proportion in the structure of industrial production, which proves the potential as well as the scale and growth of this

industry. Moreover, Vietnam has an abundant number of agricultural products and raw materials, which is very convenient for the supply of raw materials for production and processing of food and beverages. Currently, food accounts for the highest proportion in the monthly spending structure of Vietnamese consumers, and the annual value of Vietnam's food consumption is estimated at 15% of GDP and is on the rise. The demand for healthy organic food by Vietnamese consumers is increasing and this promises to be a strong growth opportunity for clean food production companies. In addition, with a population of nearly 100 million people, including over half of the population under the age of 30, Vietnam is considered one of the most potential markets for food and beverage consumption in the region.

Sustainability report of listed companies in the food industry

With the aim of research, the author has conducted a survey on the sustainability reports of listed food companies on the basis of the most traded stocks or the highest value stocks, including 13 companies: Dairy JSC Vietnam (stock code VNM), Hanoi Beer - Alcohol - Beverage Joint Stock Corporation (BHN), Masan Group Joint Stock Company (MSN), Saigon Beer - Alcohol - Beverage Joint Stock Corporation (SAB), Thanh Thanh Cong - Bien Hoa Joint Stock Company (SBT), KIDO Group Joint Stock Company (KDC), Dabaco Vietnam Group Joint Stock Company (DBC), GTNFoods Joint Stock Company (GTN), Hai Ha Confectionery Joint Stock Company (HHC), Bibica JSC (BBC), Son La Sugar Joint Stock Company (SLS), Safoco Foodstuff Joint Stock Company (SAF), Vinacafé Bien Hoa Joint Stock Company (VCF).

The survey results show that, at the time of the survey in 2021, there were still 4/13 listed food businesses that had not reported information on sustainable development. All enterprises that have reported sustainability information present the reports in accordance with mandatory requirements according to Circular No. 155/2015/TT-BTC. Most of the enterprises that have reported integrate sustainability reports in their annual reports, the average report content is less than 10 pages, only Thanh Thanh Cong - Bien Hoa Joint Stock Company (SBT) prepared up to 27-paged sustainability report in the annual report. Especially, there are only 2 enterprises that have made separate sustainability reports, including: Vietnam Dairy Products Joint Stock Company (VNM) and Dabaco Vietnam Group Joint Stock Company (DBC), in which, Vietnam Dairy Products Joint Stock Company (VNM) has prepared the report up to more than 200 pages based on instructions of GRI. Thereby, it shows that the listed food companies have not made adequate investment for the preparation of the sustainability reports. Current issues of sustainable development related to business operations of food enterprises have not been adequately provided in the reports.

Recommendations

In order to improve the quality of the sustainability reports, listed food companies need to be fully aware of the role of the report in their operations. Sustainability report is a tool for commitments, explanations and action plans for sustainable business development of enterprises. Therefore, the contents of the report need to be expanded to bring about practical effects.

In which, it is necessary to identify which related parties significantly influence the business performance of the enterprise in the present and in the future. Many food businesses are having to

respond to the strict requirements of their customers. Therefore, it is necessary to prepare reports, explanations and specific action plans in the context of sustainable development at the request of customers and consider this an important content in the sustainability reports. Improving quality of the reports will bring about a positive effect on business performance.

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BUSINESS MODEL OF SMALL AND MEDIUM ENTERPRISES IN VIETNAM UNDER THE CONTEXT OF COVID 19 PANDEMIC

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Abstract: *This study examines the influence of a number of factors affecting the business model of Small medium enterprises (SMEs) in the context of the Covid-19 epidemic such as: Customer Segments; Value Propositions; Supply Channels (Channels); Customer Relationships; Revenue Stream (Revenue Stream); Key Resources (Key Resources); Key Activities (Key Activities); Key Partnerships; Cost Structure. The data in this study was collected from 112 small and medium enterprises in Hanoi. They were processed by using SPSS22 software. The results show that all factors have a positive impact on the business model of SMEs. The research also contributes to helping enterprises have the right business model to attract and develop better marketing solutions in the context of the Covid 19 epidemic.*

Keywords: *business model, SME, Covid-19 epidemic.*

1. RATIONAL

In developed and developing countries, small and medium enterprises (SMEs) are seen as an important economic force and tackling social problems. They in fact operate in all fields of the national economy from industrial production, construction, trade, services, and so on. They not only play a big role in economic development but also contribute to handling numerous social issues. In Vietnam, SMEs have always affirmed their crucial role when maintaining high growth rates and making many contributions to the economy. According to the Report of the Ministry of Planning and Investment (2020), as of December 31, 2018, the number of operating small and medium enterprises (SMEs) with production and business results accounted for 97.21% of the total number of enterprises nationwide. In these businesses, micro enterprises made up 64.42%, small enterprises accounted for 31.99%, and medium enterprises made up 3.59%. In reality, SMEs contribute to accelerating the process of economic restructuring, especially in rural areas when the production and business activities of SMEs are present in most regions and localities of Vietnam. Doan Tranh (2016) pointed out that because of their small size, SMEs are often involved in the service, trade or construction sectors, thereby increasing the structural shift of the service sector compared to the manufacturing, agricultural, forestry and fishery sectors. In addition, SMEs also use residential capital and raw materials in the region to conduct production activities. Nguyen Dinh Luan (2015) also affirmed that over the past time, SMEs have played an important role such as arousing the country's economic development potential, attracting social idle capital,

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and optimally using local resources. and make significant contributions to state budget revenues. Furthermore, they have helped to promote economic restructuring towards modernity; attract a large part of the labor force, train new human resources for the labor market, and contribute to promoting international integration.

Under the impact of the Covid-19 pandemic, the Vietnamese economy in general and the small and medium-sized enterprise sector in particular have been seriously affected. To help small and medium enterprises overcome difficulties and challenges, recover and develop, it is necessary to answer questions such as: how does the Covid-19 epidemic influence on the business model of small and medium enterprises in Vietnam; How to ensure building and developing a suitable business model for Vietnamese small and medium enterprises after Covid-19? These are the questions for Vietnam in the coming time. In order to address the difficulties for Vietnamese small and medium enterprises, it is necessary to have in-depth studies to analyze the current situation, specifically "*The impact of the Covid-19 epidemic on the business model for small and medium enterprises in Vietnam*". As a result, the author group identified opportunities and challenges, proposed effective solutions to restore and develop small and medium-sized enterprises in Vietnam in the post-Covid-19 pandemic.

2. RESEARCH OVERVIEW

Apparently, Small and medium enterprises (SMEs) are playing an increasingly critical role in most countries around the world. Abdel Nasser H.Zaied (2012) argues that the SME sector contributes to wealth creation and employment for workers. However, limitations in scale, capital, human resources, especially challenges in accessing information technology have greatly affected the development ability of SMEs (MacGregor & Vrazalic, 2007). In the context of current international economic integration, SMEs which want to survive and develop need to operate in accordance with the market trend (Vuong Duc Hoang Quan, 2014). According to Carvalho and Jonker (2012), there are four important aspects for SMEs to consider: business plan, business model, strategic planning and entrepreneurship. Among these areas, identifying a suitable and innovative business model can create a new market or allow the enterprises to exploit new opportunities in the market (Wirania Swasty, 2015). Actually, the business model represents how a business creates, captures and delivers value; reflects the strategy of the business, describes the logic and how the business operates and creates value for its stakeholders (Baden-Fuller et al., 2010; Battistella et al., 2017; DaSilva and Trkman, 2014).

In fact, business models can be looked at in different ways. Researching the factors affecting the determination of business models of SMEs, Porter (1985) mentioned 5 competitive forces including: current competitors, potential competitors, suppliers, customers and substitutes. Another model mentioned in Henry's study (2011) is the PEST model which includes: Political (Political), economic (Economic), social (Social) and technological (Technological) factors.

Meanwhile, the study of Hitt et al. (2011) refers to the factors of resources, capabilities and core competencies of enterprises, which are considered as the foundation of competitive advantage leading to the ability to build effective competitive strategies. Accordingly, a business has a competitive advantage when it creates a successful strategy based on the resources of the

business that current or potential competitors cannot duplicate. The next element is the value chain, according to Hitt et al. (2011) the value chain illustrates the production process from raw materials to the consumer. Therefore, creating added value without incurring significant costs is regarded as a vital concept in the value chain.

In the context that the industrial revolution 4.0 is expected to significantly affect industrial value, Julian Marius Muller (2019) provides knowledge on business model and Industry 4.0 for SMEs. The new finding of this study lies in the approach that distinguishes between the point of view of the suppliers and the users of the technology. Furthermore, this approach is especially suitable for SMEs because the business model is mainly small-scale. Research results show that there is a difference between the two perspectives (providers and users of technology). As a supplier, 4.0 technology-based SMEs expect the most changes in their business models related to technology. However, the proportion of technology providers accounts for only $\frac{1}{4}$ of the sample. A larger proportion of SMEs in this study can be considered industry 4.0 users. Therefore, it is necessary to promote relationships with customers in the context of industry 4.0 and to note the challenges for SMEs such as lack of financial resources, limited number of products; low standardization and lack of understanding about integration which will greatly affect the construction and development of business models in the context of industrial revolution 4.0 (Müller and Voigt, 2016).

Wirania Swasty (2015) studied SMEs in the Indonesian economy based on the study of the three Porter, PEST, and resource models mentioned above. This study argues that small and medium enterprises (SMEs) are expected to create jobs and contribute to economic growth. Nevertheless, SMEs often lack technical and managerial skills. Hence, it is necessary to determine the appropriate business model for SMEs to promote the role and overcome the limitations of this sector. Wirania Swasty (2015) after determining the research objective used a qualitative approach based on field observations, acted as an advisor for 4 SMEs and conducted discussion groups to gather opinions of owners of SMEs. He also utilized analytical tools including: PEST analysis, Porter's 5 factors analysis, Resource Based View and Value Chain Analysis. This qualitative method is aided in analyzing the collected data in order to form a map describing the business model of small and medium enterprises. The results suggest that SMEs should innovate business models rooted in value proposition. In particular, enterprises should build their own brand awareness. Especially in the apparel and fashion industry, design can be an important part of value.

Dorleta Ibarra et al (2020) carried out empirical research on business model innovation of small and medium enterprises in Spain. The research team implemented an online questionnaire to collect the data. Most variables were obtained from previously validated multi-item scales and adjusted for BMI context. A sample of 267 SMEs from various industries in the Basque region (Spain), selected from local government databases. This study uses fuzzy set qualitative comparative analysis (fsQCA) – an approach in mixed school research and also a data analysis method based on alternative set theory in stead of statistical theory indicated in traditional quantitative methods (Nguyen Dinh Tho, 2016). The FsQCA process includes: Calibration of raw data to fuzzy membership scores; Analysis of necessary conditions; Organizing cases into appropriate groups; Analyzing the influence of the factors; Interpreting research results. Inf act, following these steps, the original 5-point Likert scale is converted into a fuzzy set score (Dorleta Ibarra et al., 2020).

Most previous studies have identified the important role of determining the right business model for small and medium enterprises. In particular, they emphasize the ability of SMEs to innovate business models in the context of the volatile business environment, especially the impact of the current Covid-19 epidemic. These studies also show groups of factors affecting the business model of SMEs such as: environmental factors, institutions, technology, demographics, competitors, customers, etc. It should be noted that in the context of the ever-changing business environment, small and medium enterprises need to promote dynamic competitiveness to determine the appropriate business model.

Studies focusing on evaluating the business model of small and medium enterprises have been carried out quite a lot in recent years. This is seen as the advantage in terms of data warehouse, knowledge related to the topic of small and medium enterprises. The study will inherit this knowledge in the research process to highlight the specific problems of SMEs in Vietnam. Nonetheless, the topic "the impact of the Covid-19 pandemic on the business model of small and medium-sized enterprises in Vietnam" has not been discussed and analyzed thoroughly in recent studies. The findings of the previous studies, the policy recommendations of the previous studies will be selected and inherited to clearly see the limitations in feasibility, implementation and conditions to ensure implementation of recommendations when the research team proposes policies related to business models for SMEs in Vietnam in the near future.

3. THEORETICAL FRAMEWORK AND RESEARCH METHODOLOGY

3.1. Theoretical framework

In Vietnam today, SMEs are perceived as small-scale enterprises in terms of capital and labor. According to Decree No. 56/2009/ND-CP dated 30/06/2009 of the Government, SME is defined as follows: Small and medium-sized enterprise is a business establishment that has registered its business in accordance with the law, is authorized to do business, and is divided into three levels: micro, small, and medium according to the size of total capital (total capital equivalent to total assets determined in the enterprise's balance sheet) or the average number of employees per year (total capital). is the priority criterion). The criteria for classifying SMEs in Vietnam are also different according to each stage of economic development. To help SMEs stay competitive in the process of changing environment, some researchers have recently mentioned the business model innovation (BMI). Business model innovation (or new design process or modification of existing operating systems) is different from product or process innovation (Teece, 2010), Amit and Zott (2012) argue that the new business model refers to fundamental changes to an existing model or the evolution of a business under another model. Furthermore, Ana Colovic (2021), when doing a case study in two industrial areas in Japan which contains a large number of SMEs, especially in the manufacturing sector, made the argument that SMEs are not only aimed at the target of enter foreign markets, but also strengthen their presence in these markets by increasing sales and undertaking large-scale business model innovation at certain points in internationalization process.

Research by Dorleta Ibarra et al (2020) argues that business model change and its performance is not linear but a complex phenomenon that depends heavily on contingencies. This research group points out some basic contents when innovating the business model of SMEs, including:

(i) Long-term management orientation is a key factor for the development of BMI in SMEs; (ii) 5 BMI capabilities (perceive customer needs, sense technology options, support experimentation, collaboration and BMI strategy) combined with management approach, the development of BMI in SMEs; (iii) Innovation (related to knowledge flow about market needs, technological potential as well as collaboration with customers). It should be taken into account that SMEs with higher dynamic capacity achieve higher BMI levels than SMEs with lower dynamic capacity (Sosna, M et al., 2010; Ricciardi, F). et al., 2016)

While the current linear economic model is the underlying cause of resource shortages and environmental pollution, the circular economy model is also a potential solution for better use of resources, helping businesses solve the problem between economic and environmental benefits (Thai Thi Minh Nghia et al., 2021). The circular economy model is an economic model in which the design, production, consumption and service activities aim to reduce the exploitation of raw materials and materials, prolong the product life cycle, limit waste generated and minimize adverse impacts on the environment (Law on Environmental Protection, 2020). Nevertheless, for SMEs, production is still mainly based on the linear economic model, the related understanding of the circular economy philosophy and its benefits is still limited. Therefore, in order to apply this model, it is necessary to develop the collective relationships of SMEs, based on the network combined with institutional governance to create a necessary and effective strategy for moving towards a new sustainable economic model (Thai Thi Minh Nghia et al., 2021).

There is no doubt that the impact of the Covid-19 pandemic on sustainable business models has been identified in several recent studies. This is seen as one of the emerging trends in research on disruption to business models (Marczewska, M.; Kostrzewski, M, 2020). According to Gregures et al (2021), digital technology is considered to play a critical role in enabling the achievement of social distancing goals related to the Covid - 19 pandemic, along with enabling optimization material consumption, new design, and shortening production time. In addition, managers in small and medium enterprises need to actively innovate their management approach to BMI and develop some dynamic competencies in the organization. It is also seen as a rational approach for management towards the impact of the Covid-19 epidemic (Dorleta Ibarra et al., 2020).

Harry Bouwmana et al. (2019) examines whether small and medium-sized enterprises can effectively implement digital transformation during business model innovation. This study surveyed 321 SMEs participating in business model innovation from 12 countries in Europe. In fact, methods used in the study include: Firstly, the partial least squares method (PLS – SEM); Secondly, the configuration thinking approach (FsQCA - fuzzy set qualitative comparative analysis) to investigate the conditions leading to research results. Furthermore, in order to test the measurement model, the study used SPSS software to analyze CFA factors.

Marczewska, M.; Kostrzewski, M (2020) when assessing the impact of the Covid-19 epidemic on the sustainable business model of small and medium-sized enterprises, used qualitative analysis methods and assessed the impact on the Canvas business model. This study analyzed the impact of Covid-19 on the business model of small and medium-sized enterprises in the service sector, with a focus on “dynamic change” (including organizational change), changing customer orientation, changing technology driving, changing financial orientation, changing society); and the “technology” aspect.

In the context of the Covid-19 pandemic affecting economies around the world in general, the complicated developments of the Covid-19 epidemic has affected the resilience of small and medium enterprises in particular. In reality, small and medium enterprises are changing their business models in the direction of adapting to the environment. The article used the Canvas model (Business Model Canvas – BMC) of Gregures et al (2021) to analyze the impact of factors on the business model of SMEs in Vietnam in the context of the Covid-19 epidemic. Canvas model (BMC) has 9 main components to visualize business ideas or strategies of enterprises, including: Customer Segments; Value Propositions; Supply Channels (Channels); Customer Relationships; Revenue Stream (Revenue Stream); Key Resources (Key Resources); Key Activities (Key Activities); Key Partnerships; and Cost Structure.

3.2. Research methodology

This study uses analysis, comparison and synthesis methods from survey results of 112 small and medium enterprises in Hanoi city. The complete questionnaire is designed with 2 main parts: Part 1: General information of the enterprise; Part 2: Assess the factors affecting the business model of the Enterprise on a 5-point Likert scale from 1 (strongly disagree) to 5 (strongly agree). After that, the collected data is selected and analyzed by the author to explain the research problem.

4. RESEARCH RESULT

The number of SMEs in Vietnam today is very large, often having to change to adapt to the fluctuations of the business environment. The merger, dissolution and new establishment force enterprise managers to have high flexibility in management and administration. According to Doan Tranh (2016), the flexibility of SMEs has created the dynamism of the economy. In Vietnam, the transition from a subsidized economy to a market economy in 1986 confirmed the role of SMEs in promoting market opening, cooling the economy, and reducing inflation (from 184% to low inflation with less than 2 digits). Actually, SMEs have outstanding features that other types do not have such as the ability to adapt, flexibility towards market fluctuations, a simple and compact management apparatus, etc. However, the current environmental dynamics also pose many difficulties and challenges for SMEs (Vuong Duc Hoang Quan, 2014). Most of the SMEs in our country originate from their own capital, so they are very limited in initial investment capital. Hence, when being in operation, it is difficult to access loans due to loan limitations, credit constraints, technological challenges, low labor capacity, limited management qualifications, limited ability to access information and international economic integration and especially in the context of the impact of the current Covid-19 epidemic.

The report “*The impact of the Covid-19 epidemic on Vietnamese enterprises, key findings from the Enterprise survey in 2020*” was conducted by the Vietnam Chamber of Commerce and Industry (VCCI) in collaboration with the World Bank (WB). Through a survey of 10,197 enterprises, including 8,633 private enterprises and 1,564 enterprises in the foreign direct investment (FDI) sector, it said that nearly 90% of enterprises in most countries industries and professions negatively affected by Covid-19. In particular, only in the first 4 months of 2021, there were 25,919 small and medium-sized enterprises (SMEs) (capital scale from 0 to 10 billion dong) accounting for more than 90% of the businesses that were temporarily closed, stopped operating, increased to nearly 30%

compared to the same period last year (according to information from the Department of Business Administration posted on the National Portal on business registration). The main influences are that businesses face obstacles when approaching customers; supply chain is interrupted or broken; cash flow imbalance and difficulties in labor management occur. Some enterprises are also affected by other problems such as reducing orders, reducing output, delaying investment progress or even canceling projects that are or will be implemented. In addition, businesses also incur additional costs to prevent the COVID-19 epidemic... As a result, it can be seen that the Covid-19 pandemic especially affects SMEs because these enterprises are often vulnerable due to poor liquidity buffer and limited access to credit.

To reflect the impact of the Covid-19 epidemic on the business model of SMEs, the authors use a combination of qualitative methods combined with technical methods such as surveys, interviews with managers, interpretive methods to analyze problems and draw conclusions for research. Simultaneously, the author group collect secondary data such as books, newspapers, magazines, statistical yearbooks, websites, annual reports, and so on.

With a survey sample size of 112 SMEs operating in different fields in the territory of Vietnam, according to the convenient sampling method, the author conducted a pilot survey with 10 SMEs that are subject of the study. Thereby, completing the questionnaire is more suitable to reality and conducting an official mass investigation. The author distributed 135 survey questionnaires to SMEs in the period from September 2021 to October 2021 and collected 116 votes, of which 110 answered via the Internet, 6 answered directly, the number of valid response was 112, and the invalid one was 04.

Table 1: Number and structure of surveyed SMEs

Enterprises	Quantity (enterprise)	Ratio (%)
I. According to field of activity	112	100
1. Finance	23	20,54
2. Transportation	12	10,71
3. Travel	24	21,43
4. Retail	35	31,35
5. Real estate	18	16,07
II. According to the number of members	112	100
1. Less than 10 members (Micro enterprise)	38	33,93
2. From 10 to 50 members (Small enterprise)	42	37,5
3. More than 50 members (Medium enterorise)	32	28,57

Source: Survey of the author group

The value of variance extracted (Average Variance Extracted - AVE) for each scale is also shown in Table 2. The value of AVE for all constructs in this model is greater than 0.5, indicating the appropriateness of the convergence of each structure in the model (Fornell and Larcker, 1981).

Table 2: Testing result

No.	Factor	Cronbach Alpha	CR	AVR
1	Customer Segments	0.706	0.831	0.609
2	Value Propositions	0.615	0.762	0.578
3	Channels	0.768	0.843	0.607
4	Customer Relationship	0.750	0.845	0.634
5	Revenue Stream	0.962	0.987	0.931
6	Key Resources	0.879	0.898	0.785
7	Key Activities	0.692	0.837	0.705
8	Key Partnerships	0.583	0.836	0.819
9	Cost Structure	0.960	0.973	0.895

(Source: Survey of the author group)

5. CONCLUSION

The study aims to assess the impact of the Covid-19 pandemic on the business model of SMEs. The author uses survey data of 119 businesses to see the impact of these factors. Research results show that businesses with poor performance tend to increase operating costs while having poor revenue after the Covid-19 outbreak. This increase comes from short-term payables when businesses need short-term capital to supplement short-term capital needs that are facing difficulties in the context of the pandemic. The long-term debt of enterprises in the industry is not affected by the epidemic due to the relatively stable demand for long-term capital for projects and business plans. In addition, the research results also show a positive impact between business size and short-term liabilities and long-term liabilities as well as the need for long-term debt to cover investment in fixed assets. From the research results, it can be seen that there is a difficult situation of SMEs in the current period. Actually, the epidemic caused business activities to stagnate, the capital needs of enterprises increased while the risk of a re-epidemic outbreak was always present, making businesses need to have problems on effective operation scale. In the context of tight real estate credit, unmet long-term capital needs as well as high loan interest rates make it difficult for many businesses in the industry to access capital. SMEs need to base themselves on the actual situation of businesses and market fluctuations to have a reasonable business scale and create high adaptability to limit the negative impact of the epidemic.

The study assessed the impact of Covid-19 on the business scale structure of SMEs. The research results only examine the classification and statistics of factors affecting the business scale of SMEs under the impact of the epidemic. This will also be the direction of researching that should be continued in the near future when the Covid-19 epidemic still has not been completely controlled.

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THE IMPACT OF SOCIAL MEDIA INFLUENCER MARKETING STRATEGY (SMIM) ON THE CONSUMPTION DECISIONS OF STUDENTS IN HANOI

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Abstract: *With the rapid development of internet technology and media, more and more students know and choose people's channels influence social networks as a way of searching for appropriate products and services. Marketing with people who influence social networks is not new forms, but it's becoming more popular in recent years. Because of that, this study is intended to use tools such as statistical descriptions, Cronbach's alpha, EFA, Pearson, and multivariate regression to analyze the factors of the above marketing strategy that affect Vietnamese students' decisions. Based on the gained results, some solutions are proposed to help businesses achieve goals when using this kind of marketing form.*

Keywords: *Marketing strategy; influencers; social networking platforms; student consumption decisions.*

1. INTRODUCTION

Nowadays, people have more ways to communicate with each other thanks to the emergence of social networks. With large numbers of users, high interaction, social networking is not only able to connect but also the ideal environment for advertising and marketing. This sets out for marketers to know how to make use of and optimize the 'key' to better access the goals. In recent years, social media influencer marketing strategy has become popular.

People who influence social platforms are interested in sharing, having creative, creative innovation, in their view and lifestyle... and getting a lot of affection, the support of people who love online. According to Influencer Marketing Hub's survey with the number of samples as 4.000, there are 78% people who believe that marketing is going to continue spending budget for marketing strategies using influential people and 66% who intend to increase the expenditure of spending on people with influence. This suggests that many people participate in an optimistic survey with the growth of this kind.

Social media influencers in Vietnam are now extremely numerous and well received by the majority of students. Therefore, students also easily access the marketing strategy of using influencers quickly and often tend to share information with those around them. With more than 70 universities and academies, Hanoi is a city that attracts and gathers a large number of students across the country so it is also most likely to be affected by people who have the influence they love. Hanoi market is a potential market of businesses and therefore influencer marketing strategy is one of the important strategies of businesses for customer groups who are students in Hanoi.

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Therefore, the study "*The impact of social media influencer marketing strategy (SMIM) on the consumption decisions of students in Hanoi* " was conducted to clarify the above issue.

2. LITERATURE REVIEW

Leparoux M et al. (2019) show the existence of a real tendency from consumers not to trust influencers and to find their promoted products untrustworthy, consumers still follow them and buy promoted products.

Linda Gashi (2017) states that influencers' ability to deliver content, expertise, attractiveness, social identity and trust shows evidence of influencers playing an important role in the consumer buying decision process. In addition, the relationship that consumers have with their social media influencers and the age of the consumer was also found as two new factors that may further contribute to influencer engagement between social media influencers on consumer behavior.

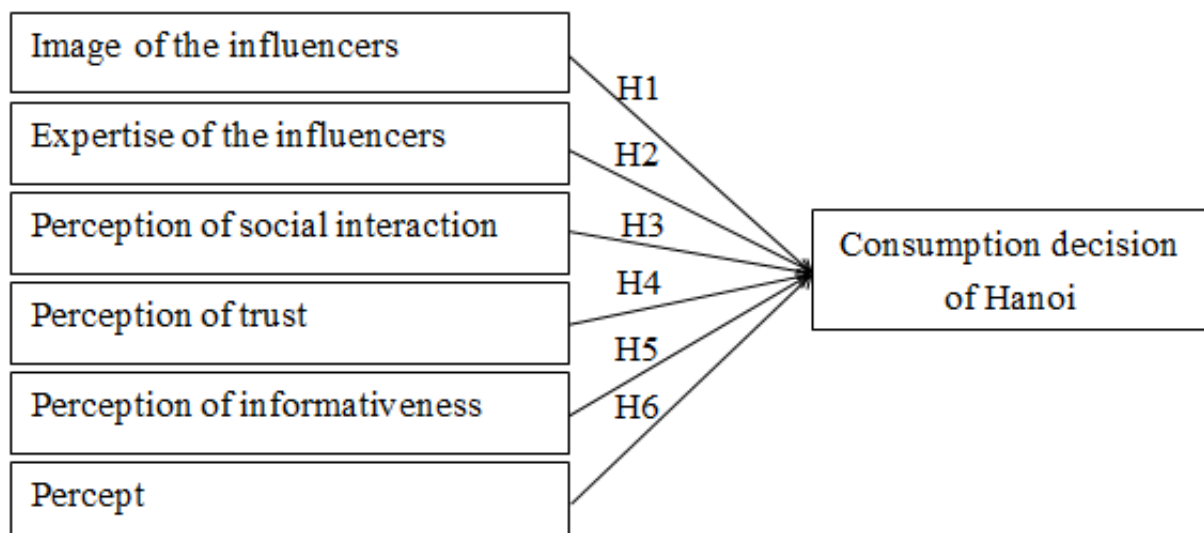
In Viet Nam, although influencer marketing is not a new type of marketing, there are still few quality research papers. Most of them only focus on explaining and giving numbers in foreign studies to demonstrate its influence.

One of the few studies using econometric models to study the influencing factors of social media influencer marketing on students' consumption decisions is by Le Giang Nam & Hoang Thai Dan (2018). This study has contributed to the proposed model of the impact of social media influencer marketing on the purchase intention of consumers in Ho Chi Minh city with four components: influencer's credibility, information quality, influencer-product relationships, and consumer involvement. The authors emphasize the significant importance of consumer involvement.

3. METHODOLOGY AND PROPOSED MODEL

3.1. Proposed model

Based on the theory of Philip Kotler's model of consumer buying behavior (Kotler & Keller, 2013), six factors affecting the Hanoi students' consumption behaviour have been



O_i

$$CD = \beta_0 + \beta_1 EI + \beta_2 PSI + \beta_3 PIN + \beta_4 PT + \beta_5 II + \beta_6 PIR + \varepsilon$$

Where in: β_k ($k \in 0 - 6$): coefficients of the regression equation

ε : is the error.

CD: Consumption decision of Hanoi students

EI: Expertise of the influencer

PSI: Perception of social interaction

PIN: Perception of informativeness

PT: Perception of trust

II: Image of the influencer

PIR: Perception of irritation

On the basis of the evaluation of the theoretical basis and research overview, the authors develop appropriate hypotheses for research to study the impact of SMIM on the consumption decisions of students in Hanoi with 6 factors are given as follows:

Image of the influencers (II) refers to the marketing personalization built by the influencer on social media. Consumers are easily influenced and trust the products recommended by opinion leaders; especially, if these opinion leaders are their favorite idols (Bong-Seob Kim, 2015). In addition, when a person interacts with a person with similar interests and thoughts, the purchase decision will be more likely to be influenced than a person with completely different views and thoughts (Li, Lee, and Lien, 2014). This forms hypothesis H1:

H1: Image of the influencers positively affects consumption decisions of Hanoi students.

Expertise of the influencers (EI) refers to an understanding of the product or service they promote. If the social media influencer is considered as an expert in his or her content field, chances are that consumers will adopt the information provided by them (Valck et al., 2013). This knowledge and expertise make a social media influencer more trustworthy because he or she knows what they are really talking about when recommending a product (Kapitan & Silvera, 2015). Nejad et al. (2014) imply that the level of expertise affects the degree of consumer attachment to the information provided by SMIM. All of these build up the following hypothesis H2:

H2: Expertise of the influencers positively affects consumption decisions of Hanoi students.

Perception of social interaction (PSI) refers to the level of user engagement (likes, shares, comments, and read submissions) with social media influencer marketing posts. According to Yaakop et al. (2013), social media influences every stage of the consumer decision-making process, as well as influencing public opinion and attitude formation. Accordingly, the delivery of highly interactive marketing messages to social communities, from influential individuals in society will have a strong impact on consumers' attitudes (Nguyen Duy Thanh et al., 2013). From this, hypothesis H3 is formed:

H3: Perception of social interaction positively affects consumption decisions of Hanoi students.

Perception of trust (PT) refers to the reliability of the information provided, the method of reaching the target audience, and includes the credibility of the influencers. Li et al. (2010) explain that the trust of influencers has acted as an important factor for consumers to search for product information online. Similarly, past studies have empirically verified that the trustworthiness of social media influencers positively affects consumer attitudes (Suh, Bomil, & Han., 2002; Wu, Ing-Long, & Chen., 2005). Furthermore, two researchers Lim et al. (2006) and Hsiao et al. (2010) also stated that trust has a significant impact on consumer purchase intention. All this forms the following hypothesis H4:

H4: Perception of trust positively affects consumption decisions of Hanoi students. Information awareness.

Perception of informativeness (PIN) According to Waldt et al. (2009), information is defined as the ability of advertising to provide information to consumers about alternative product choices so that they make a purchase in the most satisfying state. Therefore, the information provided needs to be accurate, relevant, timely, and useful to consumers because they are interested in the messages that are relevant to them (Chowdhury et al., 2006). This forms hypothesis H5:

H5: Perception of informativeness positively affects consumption decisions of Hanoi students.

Perception of irritation (PIR) Perception of distraction refers to the level of discomfort that influencer marketing brings to users. Discomfort reduces the effectiveness of advertising, feeling annoying for consumers (Nguyen Duy Thanh et al., 2013). Ads that are annoying and often overstated can lead to consumer confusion and negative reactions, create negative attitudes toward advertising, and can reduce the consumer's purchase intention for the product being advertised (Pham Thi Lan Huong & Tran Nguyen Phuong Minh, 2014). This leads to hypothesis H6:

H6: Perception of irritation negatively affects consumption decisions of Hanoi students.

3.2. Research methodology and Data collection

Research methodology and Data collection: screen variables observed, determine components such as descriptive statistics, Cronbach's Alpha reliability and exploratory factor analysis EFA, regression correlation analysis.

The purpose of using quantitative methods:

- Evaluate the accuracy of the official research scale.
- Assess the importance of quantitative research influencing factors.

During the data collection process, 190 responses were obtained. After checking, the author's team eliminated 27 invalid answer sheets and 163 answers were included in data analysis.

The optimal sample size depends on reliability expectations, data analysis methods, estimation methods used in the study, and parameters to be estimated. To serve the test of the scale, the researchers do not give a specific number on the number of samples needed, but give the ratio between the number of samples needed and the number of references to be estimated. For factor

analysis (EFA), the sample size will depend on the number of variables included in the factor analysis. Hair et al. (1998) suggested that the number of samples should be 5 times the number of variables. In this study, there are all 28 variables that need to conduct factor analysis, so the minimum sample size needed is: $28 \times 5 = 140$ observations. So, with $n = 163$ above is completely suitable.

4. RESEARCH RESULTS

4.1. Descriptive statistics

With 163 valid votes go into analysis. Here are some characteristics of the survey sample:

In terms of gender: There are 133 people who are female (81.6%), the male is 28 (17.2%) and the other is 2 (1.2%).

In terms of education level: 59 people are studying in the first year (36.2%), the second and fourth years have 17 people (10.4%), the third year has 67 people (41.1%) and the other has 3 people (1.8%).

In terms of influencer tracking, 156 people follow influencers (95.7%) and only 7 do not follow influencers on social media platforms (4.3%).

In terms of social networks for following influencers, the majority (34.7%) of the respondents about social media often follow influencers chose Facebook, ranked second with 26.8% as an online video sharing platform Youtube, followed by Instagram with 24.6%, Tiktok with 12.2% of people choosing and others with 1.7%.

Regarding spending on buying from SMIM, up to 51 people spend 25% to 40% of their spending budget on buying from SMIM, followed by 47 people spending 40% to 60% of their spending budget on activities. In this research, 42 people spend 25% of their spending budget on SMIM, 22 people spend 60% to 75% of their spending budget on shopping from SMIM and 1 person spends over 75% of their spending budget only spends on SMIM.

4.2. Likert scale test

This study mainly the qualitative problem so to quantify, the authors use 5 levels Likert scale (1-strongly disagree, 5- strongly agree).

Table 1: Scale likert test

Observable variable	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
1. Image of the influencer: Cronbach's Alpha= 0.744				
II1	7.55	2.187	.568	.662
II2	7.59	2.046	.603	.620
II3	7.73	2.100	.541	.695
2. Expertise of the influencer: Cronbach's Alpha = 0.778				
EI1	7.67	2.025	.666	.643

EI2	7.68	2.231	.589	.729
EI3	7.51	2.326	.594	.724
3. Perception of social interaction: Cronbach's Alpha = 0.802				
PSI1	13.99	6.000	.610	.756
PSI2	13.94	6.077	.620	.754
PSI3	14.45	5.841	.559	.774
PSI4	14.37	6.149	.543	.777
PSI5	13.99	5.932	.601	.759
4. Perception of trust: Cronbach's Alpha = 0.715				
PT1	7.19	2.328	.520	.671
PT2	7.33	1.569	.600	.542
PT3	7.32	1.688	.529	.642
5. : Perception of informativeness: Cronbach's Alpha = 0.802				
PIN1	7.25	1.807	.623	.757
PIN2	7.42	1.875	.595	.785
PIN3	7.19	1.711	.731	.642
6. Perception of irritation: Cronbach's Alpha = 0.691				
PIR2	10.60	2.254	.562	.567
PIR3	10.70	2.335	.508	.604
PIR4	10.64	2.652	.360	.696
PIR5	10.61	2.510	.474	.627
7. Consumption decision of Hanoi students: Cronbach's Alpha = 0.824				
CD1	13.81	3.760	.651	.780
CD2	13.76	3.887	.595	.795
CD3	13.81	3.501	.621	.790
CD4	13.81	3.797	.632	.785
CD5	13.74	3.847	.599	.794

Source: Output from SPSS 26.0 software

The results of the analysis of the reliability of the perception of the initial informativeness show that Cronbach's alpha coefficient is 0.705, ensuring the necessary reliability. However, the variable PIN4 due to the corrected item-total correlation is $0.234 < 0.3$, so we need to remove the variable. The removal of this variable PIN4 increases the reliability of Cronbach's alpha scale to 0.802, so this variable is excluded from the perception of informativeness. Continuing, the authors also remove the variable PIR1 from the perception of irritation, thereby increasing the reliability of the Cronbach's alpha scale to 0.691, better than the original Cronbach's alpha coefficient of 0.685.

Thus, the scales are reliable because there is a variable-sum correlation greater than 0.3. As a result, 26 variables were retained for exploratory factor analysis: image of the influencer (PIN1, PIN2, PIN3), expertise of the influencer (EI1, EI2, EI3), perception of social interaction (PSI1, PSI2, PSI3, PSI4, PSI5), perception of trust (PT1, PT2, PT3), perception of informativeness (PIN1, PIN2, PIN3), perception of irritation (PIR2, PIR3, PIR4, PIR5) and consumption decision of Hanoi students (CD1, CD2, CD3, CD4, CD5).

4.3. Exploratory factor analysis (EFA)

4.3.1. Exploratory factor analysis for independent variables

- Build correlation matrix

H_0 : The observed variables are not correlated with each other

H_1 : There is a correlation between the observed variables

Table 2: KMO and Bartlett's Test for independent variables for the last time

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.812
Bartlett's Test of Sphericity	Approx. Chi-Square	1085.804
	df	171
	Sig.	.000

Source: Output from SPSS 26.0 software

Based on the results of data analysis, Sig. (Bartlett's Test) = 0.000 (sig. < 0.05) thus rejecting the H_0 hypothesis, accepting the H_1 hypothesis, which means that observed variables are correlated with each other in the population. In addition, the KMO criterion was used to consider the appropriateness of factor analysis, in this study the authors found that the EFA analysis was appropriate ($0.5 < \text{KMO} = 0.812 < 1$).

- Determine the number of factors

Table 3: Total Variance Explained

Coefficient	Value
Eigenvalues	1.163
Rotation Sums of Squared Loadings (Cumulative %)	67.591%

Source: Output from SPSS 26.0 software

From the above table, 6 factors affect the consumption decision of Hanoi students for SMIM. With Eigenvalues = 1,163 > 1 representing the variation in each factor, the factors extracted from EFA are meaningful in summarizing the information of the observed variables. Rotation Sums of Squared Loadings (Cumulative %) = 67.591% > 50%, demonstrating that 67.591% of the variation of the data is explained by the group of 6 factors given.

- Rename the elements and adjust the models

Through the synthesis of theory and research design, the study proposes a model consisting of 6 factors affecting the consumption decisions of Hanoi students when using SMIM, but in the EFA analysis, there is 1 variable of perception of distractions (PIR4) and 1 variable of perceived reliability eliminated. Thus, there is a multidimensional scale and it is necessary to adjust the model. Based on the results of the factor rotation matrix, the authors rename the variables and adjust the model as follows:

Table 4: Factor analysis corresponding to the last observed variables

Rotated Component Matrix ^a						
Observable variable	Component					
	1	2	3	4	5	6
PSI2	.775					
PSI4	.715					
PSI3	.700					
PSI1	.697					
PSI5	.693					
PIN3		.885				
PIN2		.785				
PIN1		.774				
EI1			.798			
EI3			.764			
EI2			.739			
II3				.810		
II2				.753		
II1				.694		
PIR2					.749	
PIR5					.743	
PIR3					.724	
PT3						.867
PT2						.718
Extraction Method: Principal Component Analysis.						
Rotation Method: Varimax with Kaiser Normalization.						
a. Rotation converged in 6 iterations.						

Source: Output from SPSS 26.0 software

4.3.2. Exploratory factor analysis for dependent variables

Table 5: KMO and Bartlett's Test for dependent variables for the last time

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.831
Bartlett's Test of Sphericity	Approx. Chi-Square	262.755
	df	10
	Sig.	.000

Source: Output from SPSS 26.0 software

KMO = 0.831 > 0.5 indicates that factor analysis is appropriate. Sig. (Bartlett's Test) = 0.000 (sig. < 0.05) shows that the observed variables are correlated with each other in the population.

Table 6: The extracted variance of the last dependent variables

Total Variance Explained						
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.944	58.885	58.885	2.944	58.885	58.885
2	.641	12.827	71.712			
3	.533	10.670	82.381			
4	.494	9.879	92.260			
5	.387	7.740	100.000			

Extraction Method: Principal Component Analysis.

Source: Output from SPSS 26.0 software

From the above table, the consumption decision of Hanoi students for SMIM has Eigenvalues = 2,944 > 1, representing the variation in each factor, then the extracted factor has the best information summary significance. Extraction Sums of Squared Loadings (Cumulative %) = 58.885% > 50% shows that 58.885% of the variation of the data is explained by the dependent variable.

4.4. Correlation analysis

Table 7: Analyze the correlation between the dependent variable and the independent variable

		CD	EI	PSI	PIN	PT	II	PIR
CD	Pearson Correlation	1	.591**	.520**	.469**	.448**	.497**	-.507**
	Sig. (2-tailed)		.000	.000	.000	.000	.000	.000
	N	163	163	163	163	163	163	163
EI	Pearson Correlation	.591**	1	.405**	.302**	.333**	.392**	-.375**
	Sig. (2-tailed)	.000		.000	.000	.000	.000	.000
	N	163	163	163	163	163	163	163
PSI	Pearson Correlation	.520**	.405**	1	.241**	.312**	.353**	-.325**
	Sig. (2-tailed)	.000	.000		.002	.000	.000	.000
	N	163	163	163	163	163	163	163
PIN	Pearson Correlation	.469**	.302**	.241**	1	.260**	.321**	-.312**
	Sig. (2-tailed)	.000	.000	.002		.001	.000	.000
	N	163	163	163	163	163	163	163
PT	Pearson Correlation	.448**	.333**	.312**	.260**	1	.350**	-.203**
	Sig. (2-tailed)	.000	.000	.000	.001		.000	.009
	N	163	163	163	163	163	163	163
II	Pearson Correlation	.497**	.392**	.353**	.321**	.350**	1	-.339**
	Sig. (2-tailed)	.000	.000	.000	.000	.000		.000
	N	163	163	163	163	163	163	163
PIR	Pearson Correlation	-.507**	-.375**	-.325**	-.312**	-.203**	-.339**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.009	.000	
	N	163	163	163	163	163	163	163

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

Source: Output from SPSS 26.0 software

The above results show that all Pearson correlation Sig values between the independent variables and the dependent variable are less than 0.05. Thus, the independent variables are all linearly correlated with the dependent variable.

4.5. Regression model

Table 8: Fit coefficients of a multiple regression model

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.771 ^a	.595	.579	.30778	1.934
a. Predictors: (Constant), PIR, PT, PIN, PSI, II, EI					
b. Dependent Variable: CD					

Source: Output from SPSS 26.0 software

According to the Model Summary table, it shows Adjusted R Square = 0.579 = 57.9%. Thus, the independent variables included in the regression affect 57.9% of the change of the dependent variable. The Durbin-Watson statistic is used for testing the first order serial correlation among residuals in a linear model. The obtained Durbin Watson value of 1,934 (ranging from 1.5 to 2.5) shows that the model is not wrong. Thus, the multiple regression model satisfies the appropriate evaluation and testing conditions for giving research results.

Table 9: ANOVA results

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	21.668	6	3.611	38.122	.000 ^b
	Residual	14.778	156	.095		
	Total	36.446	162			
a. Dependent Variable: CD						
b. Predictors: (Constant), PIR, PT, PIN, PSI, II, EI						

Source: Output from SPSS 26.0 software

From the table above, the Sig value. of ANOVA analysis equal to 0.000 (<0.05) indicates that there exists statistical significance between 6 independent variables and 1 dependent variable. Conclusion The regression equation fits both the sample and the population.

Table 10: Regression coefficients and multicollinearity

Coefficients ^a							
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	Std. Error	Beta				Tolerance	VIF
B							

1	(Constant)	1.589	.346		4.586	.000		
	EI	.183	.041	.271	4.434	.000	.698	1.432
	PSI	.160	.047	.202	3.435	.001	.752	1.330
	PIN	.142	.042	.191	3.395	.001	.818	1.223
	PT	.098	.035	.157	2.759	.006	.801	1.248
	II	.093	.042	.134	2.239	.027	.723	1.384
	PIR	-.177	.051	-.203	-3.492	.001	.771	1.297
a. Dependent Variable: CD								

Source: Output from SPSS 26.0 software

Sig value of t-test for each independent variable, sig in this model is all less than 0.05, meaning that variable is significant in the model.

The variables are standardized accept Tolerance > 0.0001. The Variance Inflation Factor coefficient of the variables in the model is very small, all less than 10, showing that multicollinearity of the independent variables is not possible and the independent variables in the model is acceptable.

Regression results show that all variables have an impact on the dependent variable because the Sig value of t-test for each independent variable is less than 0.05.

The linear regression equation extracted by Beta coefficient is shown as follows:

$CD = \beta_0 + 0.271 EI + 0.202 PSI + 0.191 PIN + 0.157 PT + 0.134 II - 0.203 PIR + \epsilon$ standardized Beta Coefficient shows the importance of each independent variable to the dependent variable. In other words, determine the level of impact of the independent variables on the consumption decision of Hanoi students, as follows:

The standard regression value of the variable "*Expertise of the influencers*" affects 27.1% on the consumption decisions of Hanoi students for SMIM activities, in the condition that other factors remain constant. Because this is the basis for the influencer's information to reach students more convincing, creating authenticity for the product or service that they are advertising. For that reason, this is also one of the factors that have the greatest influence on the consumption decisions of Hanoi students.

The standard regression value of the variable "*Perception of irritation*" affects 20.3% on the consumption decision of Hanoi students for SMIM activities, in the condition that other factors remain constant. However, like any marketing activity, there are irritations that make this activity not really effective, which will negatively affect the buying decision of users in general and Hanoi students in particular and rank second of the influencing factors.

The standard regression value of the variable "*Perception of social interaction*" affects 20.2% on the consumption decision of Hanoi students for SMIM activities, in the condition that other factors remain constant. Because of the nature of this activity built on social networking platforms, connecting online with each other, it has facilitated social interactions easily and quickly. This is understandable, this is the third most influential factor affecting the consumption decision of Hanoi students.

The standard regression value of the variable "*Perception of informativeness*" affects 19.1% on the consumption decision of Hanoi students for SMIM activities, in the condition that other factors remain constant. Information is an important factor in an effective marketing strategy. The transmission of good and accurate information is also a way to help Hanoi students make consumer decisions towards higher SMIM. Therefore, in this study, information ranked 4th has a positive influence on the consumption decisions of Hanoi students.

The standard regression value of the variable "*Perception of trust*" affects 15.7% on the consumption decision of Hanoi students for SMIM activities, in the condition that other factors remain constant. The reliability of this marketing method to Hanoi students is a factor to be considered. It is this that makes trust the fifth factor that positively affects consumption decisions of Hanoi students.

The standard regression value of the variable "*Image of the influencer*" affects 13.4% on the consumption decisions of Hanoi students for SMIM activities, in the condition that other factors remain constant. The marketing chooses influencers on social networks to promote their products and services, is also how they want to personalize marketing activities to make it closer to Hanoi students. It is this that helps the image of influencers to be the sixth factor that positively affects the consumption decisions of Hanoi students.

5. DISCUSSION AND CONCLUSION

Through 5 factors: *image of the influencers, expertise of influencers, perception of social interaction, perception of trust, and perception of informativeness*, the study has shown that The SMIM strategy has helped Hanoi students have the *necessary information* to better understand the product, improve the authenticity and pay attention to the product. However, this marketing strategy still has some limitations such as: potential risks for brands when combined with influencers in scandals, doubts about products that are commercialized by this method, and so on.

From the discussion above, Hanoi students are increasingly motivated to make purchasing decisions through SMIM and to create a successful strategy, there are a number of suggestions as follows:

- *Proposals to enhance the effectiveness of the SMIM strategy.*
 - It is necessary to pay attention to choose the type of influencers and reasonable implementation methods.
 - Creating the right message from the product to the influencer should also be emphasized.
 - Paying attention to student psychology in Hanoi is also one of the effective solutions for SMIM. For example, SMIM combined with viral effects such as buzz marketing
 - Businesses can work with influencer service companies.
- *Proposal to attract students to shop through SMIM*
 - Selecting the right influencers, the right content, the right time, the right places to appear, etc. Should look for and cooperate with people who will have a positive influence on the student customer base.

- SMIM posts need to ensure that the content provides full information about prices, products, origins, materials, advantages and disadvantages, ... and creative presentation of the conveyed content.

- *Proposal on human resources*

- Training and improving the quality of staff, especially marketing department staff, improving the means and equipment for advertising and communication purposes.

- Meetings between brands and influencers are needed to create alignment and mutual understanding.

- Regularly measure the effectiveness of SMIM with a number of tools such as Affiliate links, Google Analytics, ... to control performance and adjust accordingly.

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STATE OWNERSHIP AND FINANCIAL LEVERAGE: CASE OF VIETNAMESE COMMERCIAL BANKS

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Abstract: *The study was conducted to assess the impact of state ownership and factors on the level of financial leverage of commercial banks in Vietnam. In this study, the debt to total assets ratio represents the financial leverage of commercial banks. By the SGMM regression method and the data set of 30 Vietnamese commercial banks from 2012 to 2019, the research results show that state ownership has a positive impact on financial leverage of Vietnamese commercial banks. In addition, the factors have a positive impact on financial leverage are bank size, asset growth. Meanwhile, factors that have the opposite effect are profitability, inflation, and GDP growth.*

Keywords: *Commercial bank, Financial leverage, State ownership.*

1. INTRODUCTION

Commercial banks play a very important role in the economic development of countries around the world, being a flexible and effective capital channel. However, a bank is a special enterprise in which its capital is financed mainly from external sources because its total assets are mainly financed by debt (Berlin, 2011). Thus, capital mobilization is one of the most basic and important operations for any bank, considered as an input in the bank's business operations (Sealey & Lindley, 1977). As a special enterprise with great influence on the socio-economic of each country, commercial banks always receive close supervision by the government, and comply with international banking standards, such as the Basel Committee on Banking Supervision. Since banks lend and make a profit on borrowed money, it is a high-risk source of money because, basically, withdrawals can happen at any time that customers need. Therefore, commercial banks use high leverage and create financial leverage for all other businesses (Hoque & Pour, 2018). On the other hand, the capital of commercial banks plays a very important role, considered as a financial buffer, helping to minimize risks and losses that may arise in the future (Ahmad & Albaity, 2019). To ensure commercial banks have sufficient capital, it is important to follow international standards, such as the risk-weighted capital adequacy framework developed by the Basel Committee on Banking Supervision. When commercial banks have more capital, they can be safer, but that is against the wishes of bank managers, who want to hold less capital because the cost of this capital is higher than other sources of capital (Mishkin, 2000). Therefore, the financial leverage of commercial banks should be regulated by the state regulatory agency in the banking sector, and there should be little variation in the leverage ratio among banks (Mishkin, 2000). But in fact, the

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level of volatility in the financial leverage ratio is often very large among commercial banks, and it is necessary to consider the factors affecting leverage, instead of just based on the regulations of the banking industry (Hoque & Pour, 2018; Gropp & Heider, 2010). The characteristics of Vietnam's commercial banking system include a group of joint stock commercial banks controlled by the state and a group of private joint stock commercial banks. These two groups of banks differ in asset size, operating network, history, shareholder structure, customer base, etc. In particular, state-owned commercial banks are larger in scale and riskier because they believe in government protection in the event of liquidity risk or risk of collapse. Currently, in Vietnam, there are a number of studies evaluating factors affecting the financial leverage of Vietnamese commercial banks, such as research by Le and Pham (2016), Ngo (2020), Tong (2017), Pham and Nguyen (2016). However, there has been no research evaluating the influence of state ownership on the financial leverage of Vietnamese commercial banks. Therefore, the study was conducted to evaluate the role of state ownership in the level of financial leverage, thereby proposing measures to help these banks operate stably and efficiently. This is a new point and an important contribution of the research paper on the impact of state ownership on the financial leverage of Vietnamese commercial banks. The research results help the bank's managers to build suitable financial leverage for each specific bank, in line with the orientation of the State Bank of Vietnam in the banking sector.

2. LITERATURE REVIEW AND PREVIOUS RESEARCH STUDIES

State ownership

State ownership is a topic of interest to many researchers in many aspects. Mak and Li (2001) argue that the government tends to be less proactive in controlling its investment, and at the same time, because it is easier to raise capital, leading to the phenomenon that state-invested companies have poorer corporate governance mechanisms. Bös (1991) argues that in companies in which the government owns the majority of equity capital, the government has an incentive to control the company tightly and effectively, thus reducing agency costs and improve operational efficiency. Huibers (2005) argues that state ownership is theoretically owned by the whole people, but the people have no power or incentive to supervise, making the government the sole representative. Megginson (2005) argues that state ownership is not economically viable because of the need to balance socio-economic goals, poor supervision and lack of market discipline. In Vietnam, the role of state ownership in enterprises in general and commercial banks in particular is a controversial topic. Despite the gradual transition to a market economy, the influence of state-owned enterprises is still quite large on the Vietnamese economy. Ho et al. (2020) argue that state-dominated enterprises tend to accept higher risks than other enterprises and therefore, need an effective control mechanism for these enterprises. For the banking sector, there are many different studies on the influence of state ownership on many aspects of commercial banks. For example, research by Lam and Vo (2020). Research results show that commercial banks with higher state ownership are less efficient. Meanwhile, Pham and Nguyen (2020) argue that state ownership tends to increase credit risk, but helps reduce the risk of bank default. Therefore, the role of state ownership in Vietnamese commercial banks needs to be further studied in many aspects, including the level of financial leverage.

Trade-off theory

This theory was originally proposed by Modigliani and Miller (1958) based on tax benefits, bankruptcy costs, and agency costs, where there are non-tax debts; therefore, firms can only use debt financing in their capital structure. Then, Kraus and Litzenberger (1973) consider the cost-benefit trade-off of debt to come up with an optimal capital structure. In this model, borrowing has an advantage over equity because interest provides the benefit of tax avoidance. However, borrowing can increase financial risk, resulting in increased costs when compared to equity financing. According to the static equilibrium theory, managers need to maintain an appropriate level of debt for maximum firm value. In his study, Myers (1984) concluded that firms will construct a target capital structure based on the balance between tax savings from interest and bankruptcy costs and then gradually adjust capital structure towards that goal.

Related empirical results

Amin et al. (2019) investigate the effect of state ownership on the financial leverage decisions of enterprises in selected G-20 countries. Using the data of 252 state-owned and 6503 non-state-owned firms for the period 2011–2015, the results indicate that state ownership is positively associated with leverage in all the selected G-20 countries. However, this phenomenon changed when countries were considered according to their income levels because state-owned enterprises in high-income countries carry more debt, while the opposite is true for lower-middle-income countries.

Liu et al. (2011) studied the influence of state ownership on the decision to use the financial leverage of listed companies in China. The results show that state-owned enterprises (SOEs) have higher levels of financial leverage than non-SOEs, and state-owned enterprises in areas with the weaker institutional environment have higher levels of financial leverage than state-owned enterprises in areas with better institutional environment.

Li et al. (2007) used a firm-level dataset to study the capital structure and debt maturity options of Chinese firms. The results show that ownership and governance structure has a strong influence on the financing decisions of each company. Specifically, leverage increases with public and private ownership, and decreases with foreign ownership. State ownership is associated with increasing firms' access to long-term debt.

Huang et al. (2018) study the influence of state ownership on the capital structure of listed companies in China. The results show that state ownership increases the debt ratio of Chinese enterprises.

Anarfo (2015) investigates factors affecting the financial leverage of commercial banks in Sub-Saharan Africa from 2004 to 2014. The results show that ROA, bank size, tangible assets, and GDP growth, inflation are factors affecting the financial leverage of commercial banks in Sub-Saharan Africa.

Fauziah et al. (2020) explore the factors affecting the financial leverage of Islamic commercial banks in Indonesia in the period 2010 - 2018. The results show that ROA, bank size are the factors affecting the capital structure of Islamic commercial banks in Indonesia.

Hoque and Pour (2018) study the factors belonging to bank characteristics and factors belonging to country characteristics affecting the financial leverage of 347 banks in the world from 1998 to 2016. The results show that the factors belonging to bank characteristics such as book value, bank size, and risk positively affect financial leverage. In contrast, financial performance has a negative impact on the financial leverage of banks. For country characteristics, factors including tax advantages, deposit insurance, creditor rights, bankruptcy laws increase the debt ratio. Meanwhile, banks in countries using Anglo-American law tend to borrow less.

According to the research results of Sibindi (2018) on the factors affecting the financial leverage of South African commercial banks in the period 2006 - 2015, the author finds a similarity in the decision of financial leverage of commercial banks compared to non-financial firms. Specifically, the factors that affect the same direction are bank growth, risk, bank size. Meanwhile, profitability, financial crisis have the opposite effect.

In Vietnam, researchers have less interest when conducting research on the financial leverage of commercial banks compared to enterprises in other industries. Some typical research papers are researched by Ngo (2020), Le and Pham (2016), or research by Pham and Nguyen (2016). The research results of Ngo (2020) show that the factors that positively affect the financial leverage of commercial banks include bank size (SIZE), collateral assets, bank growth, asset growth. On the contrary, ROA, fixed assets, state-owned banks negatively affect the capital structure of Vietnamese commercial banks. Meanwhile, Le and Pham (2016) found that the factors that affect the financial leverage of Vietnamese commercial banks include profitability, bank size, and bank growth.

Research hypothesis

State ownership

State ownership is often associated with high financial leverage to avoid dilution of state control. Therefore, state-owned enterprises tend to borrow rather than issue shares (Huang et al. 2018; Dewenter & Malatesta, 2001). In addition, state-owned enterprises are guaranteed by the government, allowing them to borrow at favorable interest rates, reducing the risk of financial distress. The trade-off theory suggests that state ownership and leverage have a positive relationship. Therefore, the author proposes the hypothesis:

Hypothesis H1: state ownership and financial leverage have a positive relationship

Bank profitability

Profitability is considered an important factor to determine the capital structure, including both enterprises and commercial banks. The influence of profitability on capital structure is explained based on pecking order theory. According to this theory, enterprises take advantage of internal capital first, then borrow and issue equity securities due to lower costs. Therefore, firms with higher profitability will retain profits to raise capital, and therefore, have lower debt levels when compared to firms with poor profitability (Gropp & Heider, 2010; Pandey, 2001). On that basis, the author hypothesizes:

Hypothesis H2: Profitability has a negative impact on the capital structure of commercial banks.

Bank size

The larger the commercial bank, the more customers believe in the bank's sustainability and reputation. Because commercial banks operate in a special field, capital mobilization is mainly based on the trust of customers (Le & Pham, 2016). Therefore, large-scale commercial banks will have better capital mobilization capacity and lower interest payment costs, leading to higher financial leverage. In addition, the larger the size of commercial banks or enterprises, the more they can operate in many different fields, thereby having stable profits and taking on more debt (Titman & Wessels, 1988). Moreover, when customers deposit money in large commercial banks, there will be a higher probability of interest and principal repayment than when depositing in small commercial banks, thereby reducing agency costs (Anarfo, 2015). As a result, those commercial banks have greater financial leverage. Therefore, the author proposes the hypothesis:

Hypothesis H3: Bank size has a positive effect on capital structure.

Asset growth

According to pecking order theory, businesses will finance in the order of internal sources, borrowing, and issuing shares. When firms grow strongly, self-financing is often insufficient, so the tendency to use external sources will increase, leading to more debt, and the relationship between asset growth and capital structure of banks is the same direction (Sibindi, 2018; Ngo, 2020). On that basis, the author hypothesizes:

Hypothesis H4: Asset growth and capital structure of commercial banks have a positive relationship.

Inflation

Studies show that inflation and capital structure have a negative relationship as the studies of Frank and Goyal (2009), Joeveer (2013), and Tongkong (2012) because when inflation increases, the cost of capital and bankruptcy costs will increase accordingly. However, when inflation increases, commercial banks can raise deposit interest rates, attracting more deposits (Molyneux & Thornton, 1992). Therefore, the author proposes the hypothesis:

Hypothesis H5: Inflation has a positive effect on the capital structure of commercial banks.

GDP growth

When economic growth is high, the investment and consumption will increase, making the demand for credit increase (De Jong et al., 2008). To meet this demand, commercial banks need to increase capital mobilization, leading to increased financial leverage. Therefore, the author hypothesizes:

Hypothesis H6: GDP growth has a positive impact on the capital structure of commercial banks.

3. METHODOLOGY AND PROPOSED MODEL

3.1. Research data

The author collected the data with banking characteristics in this study from the financial statements and annual reports of 30 Vietnamese commercial banks in the period 2012 - 2019. This data set is relatively complete because it includes most of all commercial banks in Vietnam.

According to statistics of the State Bank of Vietnam, as of December 31, 2019, the total number of commercial banks is 35, of which there are 31 joint-stock commercial banks, four commercial banks with 100% state-owned. The total assets of 30 commercial banks used by the author in the research account for approximately 86% of the total assets of commercial banks, ensuring the representativeness of commercial banks in Vietnam. For macro data, the author collects from the annual report of the General Statistics Office.

3.2. Research Method

The study uses the system GMM estimation method (system GMM), introduced by Arellano and Bond (1991) and later developed by Blundell and Bond (1998), to evaluate the impact on dynamic panel data. The SGMM method is used to solve the problem of endogenous variables in the model and to solve the problem of autocorrelation due to the lagging variable of the dependent variable. The two-step system GMM estimation was chosen because of its efficiency compared to either different GMM or one-step system GMM. In addition, to test the suitability of the SGMM method, the author conducted two tests: the Sargan-Hansen test and the second-order (AR2) serial correlation test. If both tests give favorable results, then the estimation results from SGMM method are completely reliable and can be used to analyse the results.

3.3. Research model

To evaluate the impact of state ownership and control variables on the financial leverage of Vietnamese commercial banks, the author builds a research model based on the empirical studies of Amin et al. (2019), Fauziah et al. (2020), and some previous studies, specifically as follows:

$$LEV = \alpha_0 + \alpha_1 STATE + \alpha_2 PROFIT + \alpha_3 SIZE + \alpha_4 GASSET + \alpha_5 INFLAT + \alpha_6 GGDP + \varepsilon$$

Where:

α_0 : Constant

α_i (i=1,6): Coefficient

ε : Residual

Table 3.1 Description of variables used in the model

Variables			Previous studies	Formula	Expected results
Dependent	Financial leverage	LEV	Anarfo (2015), Le and Pham (2016), Sibindi (2018)	Total debt/Total assets	
Independent	State ownership	STATE	Amin et al. (2019)	Get value 1 if state-owned, value 0 otherwise	+
Control variables	Profitability	PROFIT	Anarfo (2015), Le and Pham (2016), (2016), Ngo (2020)	Profit after tax/total assets	-
	Bank size	SIZE	Gropp và Heider (2010), Anarfo (2015), Le and Pham (2016), Sibindi (2018), Hoque and Pour (2018), Fauziah et al. (2020)	Logarithm of bank total assets	+
	Asset growth	GASSET	Sibindi (2018), Ngo (2020)	Asset growth rate	+

	Inflation	INFLAT	Molyneux và Thornton (1992)	Inflation rate	+
	GDP growth rate	GGDP	Gropp và Heider (2010), Ngo (2020)	GDP growth rate	+

4. RESEARCH RESULTS AND DISCUSSION

Table 4.1 presents the results of multivariate regression with panel data by using SGMM method.

Table 4.1. Summary of regression results for the dependent variable LEV

	Coefficient	Std.	p>t
STATE	0.0116	0.0745	0.0877
ROA	-1.8521	0.1509	0.0600
SIZE	0.0166	0.0009	0.0400
GASSET	0.0567	0.0029	0,0000
INFLAT	-0.0361	0.0268	0.0287
GGDP	-0.1975	0.0496	0,0250
_cons	-0.0535	0,0268	0,0056
Sargan-Hansen test	1.0000		
AR(2) p-value	0.1410		

Source: Author' calculation

The results are shown in Table 4.1. In Table 4.1, Sargan-Hansen test shows suitable instrumental variables, while AR(2) test shows no second order autocorrelation. These results confirm the appropriateness of the model.

The results from Table 4.1 show that state ownership (STATE) has a positive impact on financial leverage of Vietnamese commercial banks. Besides, bank size (SIZE), asset growth (GASSET) have the effect of increasing financial leverage. Factors that have the opposite effect are profitability (ROA), inflation (INFLAT), GDP growth (GGDP).

The main variable of the research model, state ownership (STATE) has a positive impact on the level of financial leverage of Vietnamese commercial banks, consistent with the studies of Amin et al. (2019), Liu et al. (2011), Li et al. (2007), Huang et al. (2018), research hypothesis and trade-off theory. Vietnamese commercial banks owned by the state use higher financial leverage than private banks. Because they are state-owned, these banks tend to operate riskier because they believe that the state will stand to support them in case of liquidity risk or bankruptcy. These are also large-scale banks, so they will operate on the belief that they are "too big to fail". So they will use higher financial leverage to seek more profit. Due to the characteristics of Vietnam's economy transitioning from a centrally planned economy to a socialist-oriented market economy, the role of state-owned banks is very important for the economy in general and the banking system in particular. These banks are always at the forefront of responding to emergencies of the banking system and economy and thus, receive preferential treatment from the Vietnamese government in doing business. With that advantage, state-owned banks use high financial leverage due to the guarantee of the Vietnamese government as well as the trust of depositors. As a result, the level of financial leverage used by these

banks is always high compared to other banks in the banking system.

Profitability (ROA) has a negative effect on the financial leverage of commercial banks, consistent with pecking order theory and research hypothesis as well as the studies Anarfo (2015), Le and Pham (2016), Ngo (2020). It implies that banks with high profitability tend to use lower financial leverage by using retained earnings to raise capital and keep their financial position safer.

Bank size (SIZE) has a positive effect on financial leverage, consistent with the hypothesis. Results of studies Gropp and Heider (2010), Anarfo (2015), Le and Pham (2016), Sibindi (2018), Hoque and Pour (2018), Fauziah et al. (2020) also confirm this. Banks operate heavily on the trust of their customers. Therefore, large-scale banks easily gain the trust of customers, thereby having a better ability to mobilize capital than small-sized banks, leading to higher financial leverage.

Bank's asset growth (GASSET) has a positive impact on the financial leverage of commercial banks, consistent with pecking order theory and hypothesis. The empirical studies of Sibindi (2018), Ngo (2020) also showed similar results. Banks with high asset growth tend to use more debt because sources such as retained earnings are not sufficient to finance capital raising needs. This financing can be from customer deposits or the issuance of debt instruments such as bank bonds or certificates of deposit.

For macro factors, inflation (INFLAT) has a negative impact on the financial leverage of Vietnamese commercial banks, contrary to the hypothesis proposed and studies by Molyneux and Thornton (1992) but similar to the studies of Frank and Goyal (2009), Joeveer (2013) and Tongkong (2012). When inflation increases, banks tend to borrow less due to the increase in deposit costs, which reduces financial leverage. Economic growth (GGDP) has a negative impact on financial leverage, contrary to the research hypothesis and research results of Gropp and Heider (2010), Ngo (2020). When economic growth is high, banks gain more profits and use retained earnings to raise capital instead of borrowing or mobilizing outside, thereby reducing financial leverage.

5. CONCLUSION

The study was conducted to examine the impact of state ownership and factors on the financial leverage of Vietnamese commercial banks. With a research sample of 30 commercial banks in the period 2012 - 2019 and SGMM regression method, the research results show that state ownership has a positive impact on financial leverage of Vietnamese commercial banks. In addition, bank size, asset growth are positively related to financial leverage. Factors that have the opposite effect are profitability, inflation, GDP growth. The research results are useful information to help bank managers identify the factors affecting the financial leverage of Vietnamese commercial banks, thereby determining the appropriate financial leverage for each bank with the development strategy of the banks, namely:

First, state-owned banks need to reduce financial leverage to ensure safer and more efficient operations. These banks need to build a more reasonable investment and lending portfolio, avoiding depending on the state's support when facing difficulties or instability.

Second, it is necessary to gradually divest capital from state-owned banks where the state holds such a high percentage of share. State divestment can achieve two goals. The first goal is to help

banks increase equity, thereby reducing the level of financial leverage. The second goal is to attract strategic investors with abundant capital, valuable management experience, modern technology, and promote banking performance. In addition, there should be a special control mechanism for these banks to reduce risks and stabilize the banking system.

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MACROECONOMIC FACTORS AFFECTING VIETNAMESE STOCK PRICES

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Abstract: *Vietnamese stock market has strongly grown recently, and it has been one of the most ideal markets for both Vietnamese and foreign investors. As Vietnam is still an emerging country, its stock market seems to be more volatile, so understanding factors affecting Vietnamese stock market is essential for investors. In this article, the author discusses some macroeconomic factors that are most likely to have correlations with Vietnamese stock market. Regression model is also performed to clearly demonstrate the correlation between the macroeconomic factors and Vietnamese stock market.*

Key words: *macroeconomic factors, GDP, inflation, interest rate, exchange rate, money supply, VN Index*

1. INTRODUCTION

Vietnam's stock market has recently become more and more important as it is considered to one of the most ideal places for investors in Vietnam. In the past 10 years, Vietnamese people tended to deposit money in banks as a result of super high deposit interest rate at the time. According to World Bank (2021), in 2011, the deposit interest rate of Vietnam was highest, accounting for around 14 percent. However, it significantly dropped down over years to more than 4 percent in 2020. The decrease in interest rate with a rapid development of stock market has led Vietnamese investors to be interested in stock market. As a result, more people, including Vietnamese residents and foreigners, have invested in stocks, making stock prices rise quickly recently. To be specific, VN Index, the most popular capitalization weighted index of all the companies listed on the Ho Chi Minh City Stock Exchange to reflect Vietnamese stock market, has increased from around 500 to peak at more than 1420 at the end of June, 2021.

Vietnamese stock market has highly developed recently. However, Vietnam is an emerging country, so there are still high fluctuations in stock prices. Unpredictable fluctuations in stock prices pose a significant obstacle for investors in making investment decisions. The fluctuations in stock prices can be caused by many different factors. Nonetheless, macroeconomic factors appear to contribute the highest portion in the changes of Vietnamese stock prices. Chandrashekar, Sakthivel, Sampath and Chittedi (2018) showed that stock prices in developing countries seem not to be stable, and they are more sensitive to macroeconomic factors. Hence, understanding stock prices and factors affecting stock prices are essential as they help businesses as well as investors be more active in realization of goals. Factors affecting the market price of stocks are the topic which has received special attention from many researchers in recent years. Therefore, analyzing the correlation between macroeconomic factors and stock prices is essential as investors

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can make predictions about the future stock price changes in the future, from which there are trading strategies in specific stocks in each period.

With the goal of identifying and evaluating the impact of macroeconomic factors affecting stock prices, some theoretical frameworks and the macroeconomic factors affecting stock prices will be analyzed to find their impacts on Vietnamese stock market. To be particular, macroeconomic factors, including economic growth, inflation, interest rates, exchange rates, money supply, will be used to evaluate the impact. Based on the factors, a regression model will be tested to understand the impact of the macroeconomic factors on Vietnamese stock market and the correlations between the macroeconomic factors and stock prices in Vietnam and to find out which factors have the highest impact on Vietnamese stock prices. Research methodology will be stated clearly to help investors understand how to perform the regression model and ensure that the regression model brings about the most appropriate result.

2. PREVIOUS RESEARCH STUDIES AND LITERATURE REVIEW

2.1. Previous Research Studies

There have been a lot of studies and research about the correlation between factors and stock prices. One of the first and most popular that have been found is capital asset pricing model (CAPM). According to Treynor (1962), the model demonstrates the relationship between stock returns and systematic risk. However, the model does not seem to perform well in real markets as it only bears one independent factors with a lot of assumptions. Chaudhary (2017) used CAPM model to test the Indian market. However, the results did not reflect the stock prices and stock returns.

Some years after, arbitrage pricing theory (APT) was discovered in 1976 by Stephen Ross. According to Reisman (1988), arbitrage pricing theory is defined as a multi factor pricing model based on the concept that macroeconomic factors can have a influence on stock prices and stock returns. After the invention of the model, many famous researchers have extended and discovered other factors to test the stock market such as Fama French with Fama French three factor model or Fama French five factor model. These models are basically an extension of CAPM model based on APT with more factors to evaluate stock returns.

Recently, more researchers have conducted research based on APT about various types of factors which can bear an effect on stock prices. For example, Bhargava, Bhargava, and Jain (2016) tested the influences of six different macroeconomic variables on stock prices in India, including inflation, index of industrial production, money supply, oil prices, exchange rates, gold prices and gross domestic product. Sadeghzadeh (2018) used different factors to evaluate stock prices in Istanbul. Instead of using macroeconomic factors, the author performed multiple microeconomic factors, consisting liquidity ratio, current ratio, account receivables turnover, the ratios of total assets and total debts to own funds. All of the ratios were found to have a strong impact on stock prices in Istanbul.

As to have a good understanding about the Vietnamese stock market, the paper also bases on arbitrage pricing model (APT) as a theoretical framework to test the correlation between Vietnamese stock prices and macroeconomic factors. The factors have been chosen are economic growth,

inflation, interest rates, exchange rates and money supply because these factors seem to be the most appropriate macroeconomic factors that have a strong influence on Vietnamese stock prices.

2.2. Macroeconomic factors affecting Vietnamese stock prices

Economic Growth

According to Kubiszewski, Costanza, Franco, Lawn, Talberth, Jackson and Aylmer (2013), economic growth is the increase in gross domestic product (GDP) or gross national product (GNP) in a certain period of time. Gross National Product (GNP) is the total value of final goods and services produced in a year, excluding intermediate goods, produced by the nationals of a country. Gross domestic product (GDP) is more popular indicator which is the total value of final goods and services produced within a year within the country, including output produced by foreign residents living in the country.

In relation to stock prices, as the economy grows, financial resources increase, the demand for investment is greater. Companies and businesses have more opportunities to expand and increase profits, which in turn pushes up stock prices. Likewise, Tursoy and Faisal (2016) supported this idea by indicating that the stock prices are likely to go up if GDP increases as a result of better chances companies can perform in the future. Moreover, with an increase in GDP and strong market, investors seem to be more confident in the future. Therefore, they tend to spend their money on investments instead of saving it for the future. In other words, economic growth increases the demand for stocks, which in turn creates a positive impact on stock prices. Alexius and Sp (2018) tested the correlation between GDP and stock prices. They found a positive correlation between them. As a result, GDP of Vietnam is an appropriate element to have an influence on Vietnamese stock prices.

Inflation

Coibion, Gorodnichenko, Kumar and Pedemonte (2020) stated that Inflation is an increase in the general price level of goods and services over time. In Vietnam, the inflation rate is measured through the change of the consumer price index, which is the change in price of a basket of goods and services purchased by customers. Inflation can be calculated as:

$$\text{Inflation rate} = (\text{CPI}_{n+1} - \text{CPI}_n) / \text{CPI}_n$$

Analyzing from the point of view supply and demand, in terms of other macro factors unchanged, inflation will affect people to prioritize keeping real assets than money because they do not want to spend money on more expensive products and services. As a result, investment becomes less attractive. Inflation also increases means of reducing people's real income, thus also affecting demand. Under that condition, the stock becomes less attractive, so demand for stock decreases and stock prices tend to be lower. Moreover, an increase in inflation means the costs of inputs will rise for businesses, which affects the productivity of the businesses as they may have to produce less. The increase in costs leads to lower revenues and profits, thereby reducing the stock prices. Bui (2019) demonstrated the significantly negative correlation between stock prices and inflation because of underperformances of some businesses in Vietnam. Tran, Bui and Pham (2020) also supported this idea by proving the negative correlation between inflation and the stock

price of Vietcombank, which is well known the biggest bank in Vietnam despite the fact that GDP still grew well at the same time. Therefore, Vietnamese government should try to maintain inflation rate under control to create positive impact on the Vietnamese stock market.

Interest Rates

Interest rates and stock prices have a complicated relationship. According Afolabi Emmanuel Olowookere and Taiwo Phebe Fadiran (2016), interest rates on deposits and stocks can be seen as alternative products. Thus, an increase in the interest rate attracts investors to deposit money in the bank as they think banks will be more profitable, compared to stock investments. As a result, the quantity demanded of stocks reduces, which in turn negatively influences stock prices in the market. On the contrary, the decrease of interest rates can be an opportunity for stock market as investors tend to spend more money rather than saving in banks.

In addition, interest rates also affect stock prices by influencing the capital structure of the firm. A leveraged firm seems to be more successful as the leverage has been found to have a positive correlation with the performance of the firm (Ibhagui and Olokoyo, 2018). However, an increase in interest rates for businesses that use a lot of financial leverage can be detrimental to their operations. The profit growth of the business is constituted by three factors, including increase in revenue, production of new products or decrease in costs. Nonetheless, an increase in interest rates increases a firm's average cost of capital and reduces profits. That affects the attractiveness of stocks in the market, causing stock prices to decrease.

Analyzing the impact of interest rates on stock prices based on the discount pricing model discounted cash flow, which is easy to demonstrate because an increase in interest rates rises the average cost of capital of the firm, thereby reducing its value. Decrease in the intrinsic value of the enterprise becomes the cause of the decrease in stock prices. Nguyen and Dinh (2016) supported the negative correlation of interest rate and stock prices by testing three large capitalization companies in Vietnam, including FPT, NVM and KBC. All three firms brought about expected results as a rise in interest rate in Vietnam led to a decrease in Vietnamese stock prices.

Exchange Rates

Exchange rate is basically the rate that shows the value of a nation's currency in terms of the currency of another country (Engel, 2010). The correlation between exchange rates and stock prices has seemed to be one of the complicated as many studies have concluded different results.

Some studies have found a positive correlation between exchange rates and stock prices. The depreciation of the local currency leads to greater competitiveness for domestic enterprises. As a result, their exports will be cheap in international transactions. More exports will increase domestic revenues and, hence the stock prices of companies will increase because company's values which are represented by present value of earnings in future increase. Nguyen and Dinh (2016) tested the correlation between some Vietnamese stock prices with the change in exchange rates. The results was concluded to be positive as KBC and VNM stock prices increased following an rise in exchange rates.

On the other hand, when the exchange rate is determined by the supply and demand of financial assets such as stocks or bonds, there is an existence of a negative correlation between stock prices

and exchange rates by looking at diversified international portfolios and the role of exchange rate changes in balancing supply and demand of domestic and foreign financial assets. To be particular, an increase in domestic stock price earnings will lead to appreciation of the local currency through two main channels, direct and indirect. The direct channel stipulates that an increase in domestic stock prices will encourage international investors to reconsider their portfolio choices. More specifically, they will jointly buy more domestic assets and sell foreign assets so that more local currency is available to buy more domestic assets, and thus the domestic currency will depreciate. The main idea for the indirect channel is that an increase in domestic stock assets will increase wealth. Increased demand among domestic investors leads to higher interest rates. Thus, higher interest rates increase foreign demand for the local currency to purchase new domestic assets, which in turn leads to an appreciation of the local currency. A study to test the correlation between exchange rates and stock prices of bank industry was performed in Pakistan by Jawaid and Ul Haq (2012). As a result, a negative correlation was proved as Pakistani stock prices of banks dropped down when the exchange rates went up.

In some cases, the correlation between exchange rates and stock prices have been proved to be different in a different length of time. According to Bhutto and Chang (2019), Chinese stock prices were tested to have a positive correlation with stock prices in the short run. However, the result was totally different in the long run as they had a negative correlation.

Money Supply

According to Akinbobola (2012), money supply is the amount of money put into the economy to meet needs such as means of payment, storage needs of subjects in the economy. Measures of money supply include M0, M1, M2, M3 and L. M0 includes cash, which is the portion of paper money issued by the central bank that circulates outside the banking system. M1 consists of M0 and demand deposits. These deposits can be withdrawn at any time upon request, and may exist under a checking or non-checking account. M2 includes M1, and is defined as saving deposits, term deposits at the bank. M3 consists M2 and deposits in financial institutions other than banks. L is the broadest measure, including M3, valuable securities such as treasury bills, commercial papers, bank notes.

The analysis of economic theories shows that there is an impact of monetary policy to stock price indexes (Bosupeng, 2014). When implementing an expansionary monetary policy, the more money put into circulation will reduce the lending interest rate as well as the discount rate. This will increase the demand for financial assets including stocks. On the other hand, when lending rates fall, it will help reduce the discount rate of stocks, thereby increasing the expected price as well as the income of investors. On the contrary, when implementing a tight monetary policy, interest rates will be higher because the amount of money in circulation has decreased compared to before the change of policy. When interest rates are higher, capital sources will have a higher cost than before, which will have the effect of reducing the amount of capital invested in stocks as well as reducing stock prices. Lithman (2012) was in favor with the positive correlation between money supply and stock prices as he found out that S&P 500 index grew due to an increase in M2. In the same year, a study from Indian researchers came to the same conclusion. Pramod Kumar and Puja (2012) concluded that money supply M2 has a positive correlation with stock prices in India in both short time and long time period.

3. METHODOLOGY AND PROPOSED MODEL

3.1. Data collection

Data of all macroeconomic factors and stock prices of VN Index will be collected annually. The study mainly focuses on the period from 2000 to 2019 as it's the most recent period with all available data could be found. Secondary data collection will be used as all the information needed is available on the international appropriate sources such as World Bank, Trading Economics and a domestic relevant source like VN Investing. To be specific, the stock price of VN Index has derived from VN investing, one of the most trusted sources to get stock prices in Vietnam. The other macroeconomic factors has been acquired mostly on World Bank.

Year	VN Index	GDP growth rate	Inflation	USD/VND	Interest rate	M2 Growth
Year 2019	960.99	7.017	2.796	22842.11	7.708	13.621
Year 2018	892.54	7.706	3.54	22245.61	7.372	12.698
Year 2017	984.24	6.812	3.52	22370.087	7.068	14.256
Year 2016	664.87	6.211	2.668	21935.001	6.96	17.88
Year 2015	579.03	6.679	0.631	21697.568	7.118	14.908
Year 2014	545.63	5.984	4.085	21148	8.665	19.74
Year 2013	504.63	5.422	6.593	20933.417	10.374	21.399
Year 2012	413.73	5.247	9.095	20828	13.472	24.545
Year 2011	351.55	6.24	18.678	20509.75	16.954	11.942
Year 2010	484.66	6.423	9.207	18612.917	13.135	29.715
Year 2009	494.77	5.398	6.717	17065.83	10.069	26.233
Year 2008	315.62	5.662	23.115	16302.25	15.784	20.698
Year 2007	927.02	7.13	8.344	16105.125	11.18	49.106
Year 2006	751.77	6.978	7.418	15,994.25	11.176	29.671
Year 2005	307.5	7.547	8.285	15789.47	11.025	30.907
Year 2004	239.29	7.536	7.755	15824.56	9.723	31.05
Year 2003	166.94	6.899	3.235	15789.47	9.48	33.052
Year 2002	183.33	6.321	3.831	15368.42	9.062	13.275
Year 2001	235.4	6.193	-0.432	14982.46	9.42	27.336
Year 2000	206.83	6.787	-1.71	14280.7	10.55	35.419

3.2. Proposed Model

Quantitative method and regression model will be used. Regression will be performed to find the correlation between Vietnamese stock prices and the macroeconomic factors. The dependent variable is the stock prices of VN Index in the past 20 years from 2000 to 2019. The independent variables include economic growth, inflation rate, interest rates, exchange rates USD/VND and money supply M2. The model can be written as:

$$P_i = b_0 + b_1 \text{GDP} + b_2 \text{I} + b_3 \text{Ir} + b_4 \text{Er} + b_5 \text{M2} + e$$

P is the stock price of Vn Index

b values are the regression weights

GDP is the GDP growth rate

I is the Inflation rate

Ir is the interest rates

Er is the exchange rates

M2 is the money supply M2

e is standard error

4. RESEARCH RESULTS

The data have been launched in excel with the regression model shown as below:

Regression Statistics	
Multiple R	0.809135
R Square	0.654699
Adjusted R Square	0.531378
Standard Error	186.8865
Observations	20

ANOVA					
	df	SS	MS	F	Significance F
Regression	5	927104.3	185420.9	5.308876	0.006082
Residual	14	488972.1	34926.58		
Total	19	1416076			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	-1297.83	819.2261	-1.58422	0.135466	-3054.9	459.2325	-3054.9	459.2325
GDP growth rate	72.28906	67.51405	1.070726	0.302405	-72.5142	217.0923	-72.5142	217.0923
Inflation	21.04105	15.10292	1.393177	0.185293	-11.3515	53.43359	-11.3515	53.43359
USD/VND	0.077013	0.020257	3.801738	0.001944	0.033565	0.12046	0.033565	0.12046
Interest rate	-54.0446	35.34368	-1.52912	0.148512	-129.849	21.76	-129.849	21.76
M2 Growth	13.99481	6.295153	2.223109	0.043186	0.493048	27.49657	0.493048	27.49657

The model has been tested to be statistically significant because F-value has been found to be 0.006, smaller than conventional significance level 0.05. Adjusted R squared gives a result of 0.53, meaning that 53% of the variance of VN Index can be explained by the variances of GDP, inflation, exchange rate, interest rate and M2 growth. The number appears to have a slightly weak correlation between Vn Index and the macroeconomic factors.

For the correlation between VN Index and each of the independent factors, only two out of five factors have correlations with VN Index, including exchange rate USD/VND and money supply since their p-values are tested to be smaller than 0.05, accounting for 0.00194 and 0.04318 respectively. To be particular, an increase in one unit of the exchange rate USD/VND can lead VN Index to grow 0.077. Similarly, If money supply rises by one unit, VN Index increases by around

14 units. Other factors, consisting of GDP, inflation and interest rate have been tested to have no correlation with VN Index as their p-values are higher than the conventional significance level. As a result, the final model demonstrating the correlation among VN Index and macroeconomic factors can be written as:

$$P_i = 0.077Er + 13.99M2 + e$$

5. CONCLUSION

Exchange rate and money supply have a positive correlation with VN Index while GDP, inflation and interest rate have been found to have no correlation with the Vietnamese stock market. Although the correlation between the factors appears to be slightly weak, they can be still good indicators for investors to make their decisions in investing Vietnamese stock market. Investors can base on some macroeconomic factors, especially exchange rate and money supply to have an overview about the Vietnamese stock market so that they can be more successful with their investments.

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DISCUSSION ABOUT THE MODEL OF DIVIDEND POLICY AT LISTED SEAFOOD COMPANIES IN VIETNAM IN THE CURRENT PERIOD

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Abstract: *Due to different business conditions and characteristics, and different stages of the business cycle, in practice, many different dividend payment models have been formed. Through studying the dividend policy model of 12 listed seafood companies in the period 2010-2020, the authors found that over the past time, the companies have had rapid growth, reflected in the growth rate of revenue and assets, and on that basis, companies have used the following dividend models: (1) stable dividend policy model; (2) dividend surplus policy model; (3) policy model of fixed dividend at a low level and paying more dividends at the end of the year. The article will delve into the dividend policy model of listed seafood companies in Vietnam in the current period from which to evaluate and recommend to this group of businesses to move towards more sustainable development in the future.*

Keywords: *Model of dividend policy, seafood companies, sustainable development.*

1. INTRODUCTION

Up to now, there have been many studies on the model of dividend policy of joint-stock companies such as George M. Frankfurter, Bob G. Wood and James Wansley (2003); H. Kent Baker (2009) and H. Kent Baker, J. Clay Singleton, E. Theodore Veit (2011) ... Besides, there are many studies on the impact of dividend policy on firm value, typically such as the study of Miller and Modigliani (M&M) (1961) or the study of Fischer Black and Myron Scholes (1974) showed that "dividend policy has no impact on stock prices". However, there are many scientists who believe that "Dividend policy has a certain impact on firm value, thus affecting stock price" such as Dyl and Weigand (1993), Amihud and Murgia (1997), Kanwal, Arslan, Nasir & Maryam Khan (2011), Sajid Gul et al (2012), etc

In Vietnam, there have been many studies on the model of dividend policy. Specifically, the doctoral thesis of author Vu Van Ninh (2008). Besides, scientists in Vietnam are particularly interested in the impact of dividend policy on firm value or stock price. Typical works can be mentioned such as: Ministerial-level scientific research project of author Dao Le Minh (2002), Phung Tat Huu (2015), Research by Nguyen Ngoc Huy, Truong Thi My Tram (2016), Research by Pham Ngoc Toan and Pham Xuan Quang (2017), etc. Many domestic scientists are very interested in studying the factors affecting the dividend policy of joint-stock companies. These include works such as: Dinh Bao Ngoc, Nguyen Chi Cuong (2014), Ministry-level science and technology project "Dividend policy of joint-stock companies listed on the Ho Chi Minh City Stock Exchange" by Nguyen Thi Minh Hue (2015), Truong Dong Loc and Pham Phat Tien (2015), doctoral thesis in

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Academy of finance.

economics by author Ngo Thi Quyen (2016), etc. Thus, although there are many works. There is no research on the dividend policy model of listed seafood companies in Vietnam so far.

In Vietnam, in recent years, the fisheries sector has actively contributed to the restructuring of the agricultural and rural economy, effectively contributed to hunger eradication, poverty reduction, created jobs for over four million workers, improved the living standards of communities throughout the rural, coastal, plain, midland, mountainous areas... According to statistics of Vietnam Customs, seafood exports from Vietnam continued to grow well in June 2021. Accumulated in the first 6 months of 2021, seafood export value reached more than 1.6 billion USD, up 15% over the same period in 2020. In the first 6 months of 2021 alone, Vietnam's seafood was exported to 25/27 EU markets with a total export volume of 104.3 thousand tons, valued at USD 485.3 million, up 16% in volume and 20% in value over the same period last year. The development of the seafood industry will be the driving force contributing to the promotion of Vietnam's economy. In the course of business operations in recent years, listed seafood companies have paid more attention to building a reasonable dividend policy. However, achieving this goal in the best way is not easy. The context of the ongoing Covid-19 epidemic is still complicated, significantly affecting the production and business of businesses. Therefore, building a reasonable and long-term strategic dividend policy model is still a very important issue for the development of listed seafood companies in Vietnam, especially in the context of enterprises continuously increasing capital scale, revenue growth but unsustainable profit is an issue that needs to be studied soon.

The authors have reviewed a number of previous studies on dividend policy model, using qualitative methods combined with data analysis to draw conclusions about the actual use of dividend policy model affecting the development of listed seafood companies in Vietnam in recent years; thereby pointing out the limitations and shortcomings that need to be further researched and perfected in the coming time.

2. DIVIDEND POLICY MODEL AT LISTED SEAFOOD JOINT-STOCK COMPANIES IN VIETNAM.

Through the statistics of seafood companies listed on the Vietnam stock market, so far there have been many listed companies on the Vietnamese stock market, however, only the following 12 enterprises have sufficient data in the 2010 - 2020 period for research (Table 2.1).

Table 2.1: Seafood companies listed on the Vietnamese stock market in the sample as of December 31, 2020

No	Companies	Stock symbol	Year of listing
1	Mekong Fisheries joint stock company	AAM	2009
2	Aquatex Ben Tre	ABT	2006
3	Cuu Long Fish joint stock company	ACL	2007
4	Nam Viet Corporation	ANV	2007
5	Camimex Group	CMX	2010
6	Sao Ta food joint stock company	FMC	2006
7	Investment Commerce Fisheries corporation	ICF	2006
8	Seafood joint stock company No4	TS4	2002
9	Vinh Hoan Corporation	VHC	2007
10	Bac Lieu Fisheries joint stock company	BLF	2008
11	Ngo Quyen Export seafood processing JSC	NGC	2008
12	Hung Hau Agriculture Corporation	SJ1	2006

Source: compiled by the author

In the 2010-2020 period, the size of the business capital of companies has increased significantly. The average total assets of listed seafood companies increased from VND 1,086 billion to over VND 2,000 billion with an average growth rate of 10% per year. The increase in the capital scale of companies is the result of the expansion of investment of seafood companies through direct investment or mergers. Typically, VHC bought all shares in Van Duc Tien Giang Import-Export Food Joint Stock Company (VDTG) in 2014. By 2016, the business capital scale of the companies remained at the highest level (VND 2,407 billion), increased 7% compared to it in 2015. The period from 2017 to 2018 marked the shrinking of the business scale of a series of enterprises such as: ACL, ABT, ANV, BLF, etc listed seafood enterprises decreased to 1,991 billion dong, with a decrease rate of 11%.

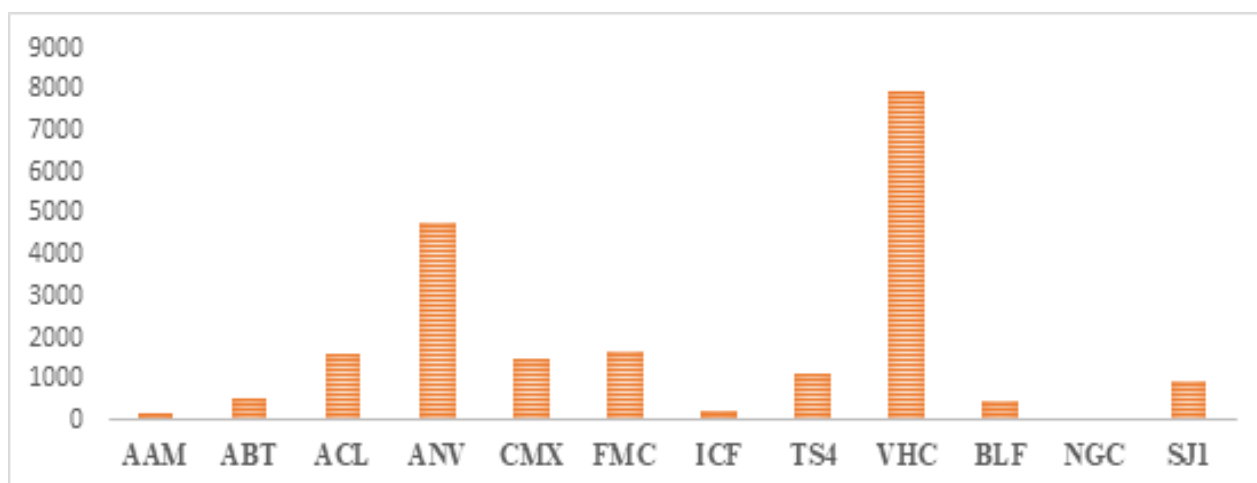


Figure 1: Scale of the business capital of listed seafood companies at the end of 2020. (Billion VND)

Source: Financial statements of seafood companies in 2020.

Due to different production and business conditions, characteristics, and stages of the business cycle, many different dividend payment models have been formed in practice. Each listed seafood joint-stock company has different sizes, investment strategies, and business efficiency, so it also has the choice and pursuit of different dividend policy models. In the period 2010 - 2020, most of the listed seafood joint-stock companies have initially developed and implemented certain dividend policy models: (1) dividend stabilization policy model, (2) dividend surplus policy model, and (3) fixing the dividend at a low level and paying more dividends at the end of the year policy.

➤ **For the stable dividend policy model**

One of the dividend policy models that attracts the attention of many companies is the dividend stabilization model. The main basis of the dividend stabilization policy model is derived from managers' perception that the majority of shareholders of JSCs prefer stable and growing dividends. They believe that investors will pay a higher price for a company's stock that pays a steady dividend and thus reduces the company's cost of equity. The model of dividend stabilization policy is the model used by many joint-stock companies in many countries.

In the period from 2010 to 2020, most listed seafood joint stock companies choose and follow the dividend stabilization policy model. For example, some companies:

- *Aquatex Ben Tre (ABT)*: This is a large seafood company with an average total business capital of over 583 billion, with high business efficiency, in the period 2010-2020, the average ROA of the Company at 11.05%/year (Table 1). ABT pursues a stable dividend policy model. With high business efficiency, ABT has maintained a constant dividend payment and paid a relatively high dividend. During the period 2010 - 2014, the company's dividend per share during these years was 6,000 VND; In the period of 2015 - 2019, ABT's business performance was reduced, the dividend level fluctuated in the range of 3,000 VND - 5,000 VND. Especially in 2020, facing difficulties caused by the Covid-19 pandemic, ABT still maintains dividends to shareholders at 1,000 VND/share.

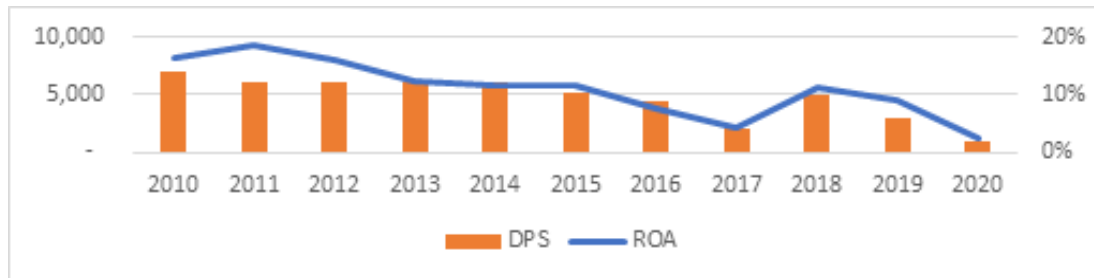


Figure 2: Business performance and dividend per share of ABT for the period 2010 – 2020

Source: Calculation from the financial statements, the resolution of the General Meeting of Shareholders of ABT company.

- *Nam Viet Coporation (ANV)*

This is one of the large-scale seafood companies and also a listed seafood company, persistently pursuing a stable dividend policy model. During the period from 2010 to 2016, although ANV's profit after tax fluctuated quite a lot (Figure 3), the Company almost maintained a constant dividend payment with a regular annual dividend of 900 VND/share (corresponding to 9% rate). For example, in 2013, due to certain difficulties, the Company only earned a profit after tax of VND 6.73 billion, equal to 9.5% of the plan, but the Company still tried to maintain the dividend payment at 900 VND/share; In order to pay such a dividend, the Company has to spend 59.04 billion dong, nearly 8.8 times the profit after tax earned in the year. The reason why ANV can pay such dividends is that, in years of achieving high profits like 2011, 2012, the company still only paid a dividend of 900 VND/share, the remaining undistributed profit is accumulated to maintain paying dividends to shareholders in the years when the profit after tax is only low (according to the financial statements and resolutions of the ANV's General Meeting of Shareholders 2013 and 2014. [3])

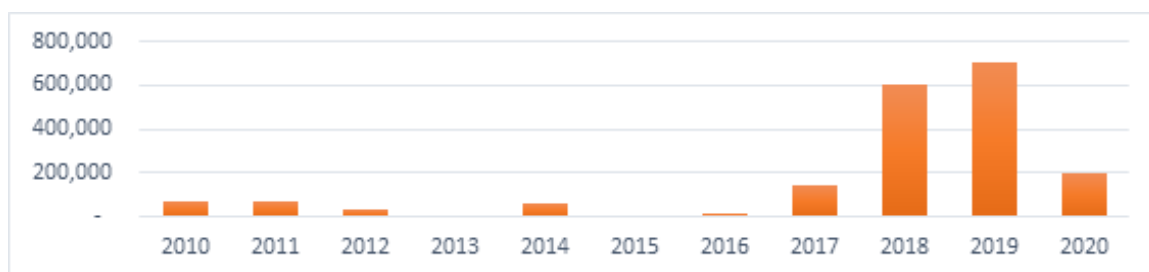


Figure 3: ANV's profit after tax for the period 2010 - 2020 (Million VND)

Source: Company's financial statements

It is thanks to the company’s management that persistently pursues a stable dividend model, so even in good business years, it still only pays a low rate from which the undistributed profit from years of effective business operation is still enough to pay for the bad business years. It is the maintenance of this stable dividend that makes the company’s shareholders more confident in the leadership of ANV. Therefore, when ANV company has a plan to expand production and business, the need for investment capital increases sharply to more than VND 500 billion and mobilizes capital by issuing shares, all shareholders are unanimous and willing to invest more in the Company. The results show that, after the investment, in the period of 2017 - 2019, the Company has made great progress, achieving spectacular revenue growth and profit after tax; profit after tax in 3 years is 142.36 billion respectively; 600 billion and 704 billion. However, the Company also only adjusted the dividend to 1,200-2,000 VND/share. In 2020, the Company’s profit reached about VND 202 billion, and the Company paid a dividend of VND 1,000/share. Figure 4 is a chart depicting the stock price of ANV in the last 3 years since the capital increase, in general, the price has remained stable and tends to increase.



Figure 4: ANV stock price in the last 3 years

Source: *cafef.vn*

- *Hung Hau Agriculture Corporation (SJ1)*: As a company operating mainly in the field of seafood processing, in recent years, SJ1’s business capital scale has increased strongly (Figure 5). In the period from 2010 to 2020, SJ1 built and implemented a model of dividend stabilization policy. Except for 2010 and 2019, the Company paid a dividend per share at VND 2,000 and VND 3,000, in the remaining years, SJ1 paid dividends continuously with dividends ranging from VND 1,200 to VND 1,500 per share. Especially in 2020, despite facing many disadvantages due to the epidemic, the Company still paid dividends to shareholders at 1,000 VND/share.

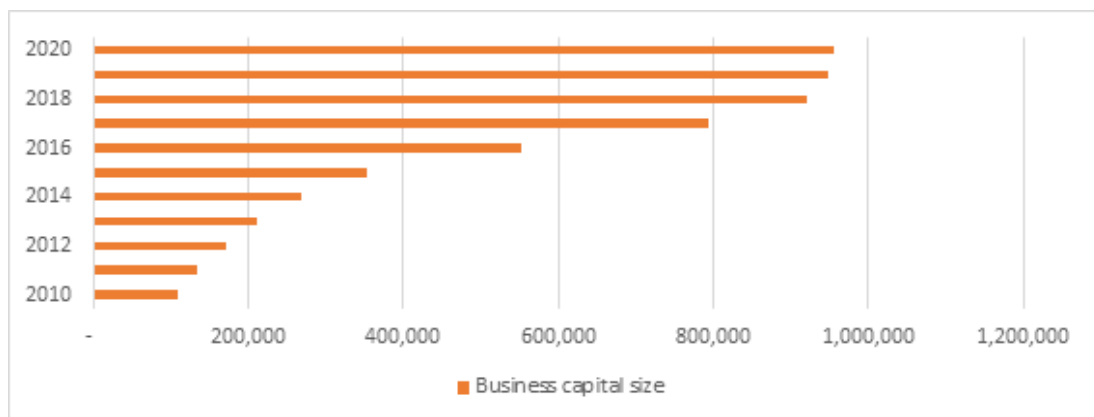


Figure 5: Size of SJ1’s business capital in the period 2010 – 2020

Source: *Financial statements of SJ1.*

- *Mekong Fisheries joint stock company (AAM)*

In the period from 2010 to 2017, AAM's business performance declined continuously and improved only in 2018, 2019 and continued to decline in 2020 (Figure 6). However, in terms of dividends, AAM pursues a dividend stabilization policy model. During the years from 2010 to 2019, the Company always tried to pay dividends continuously; even in years when profit after tax was quite low like 2016 and 2017, the Company still paid dividends to shareholders at 500 VND/share. As mentioned above, the reason why AAM can pay such dividends is because in the years of high profit, the Company has kept a part of the undistributed profit and accumulated it to pay dividends to shareholders in the years when the company has low income.

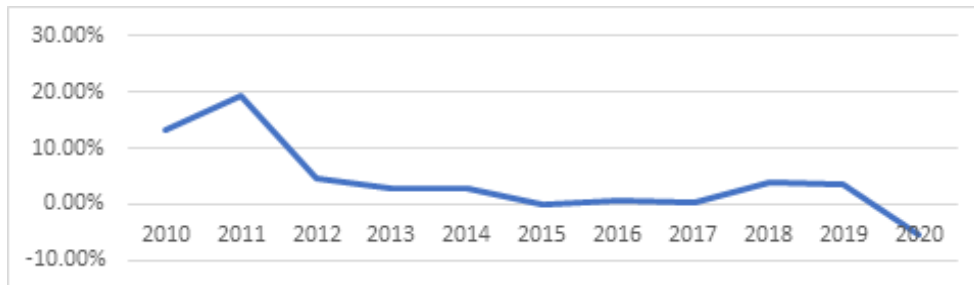


Figure 6: AAM's business performance in the period 2010 - 2020 (%)

Source: Calculations from AAM's Financial Statements

➤ **For the dividend surplus policy model**

The residual dividend policy model is greatly influenced by investment opportunities and the utility of using retained earnings to finance new investments by the firm. The dividend surplus policy model is based on the fact that investors prefer the company to retain profits for reinvestment over paying dividends if the rate of return that the company can obtain from reinvestment is higher than the average rate of return that investors can achieve because they invest themselves in other investment opportunities with the same level of risk.

In the period of 2010 - 2020, a number of listed seafood companies tend to follow the surplus dividend policy model. These companies do not have to strictly follow the surplus policy in the original sense. Here, referring to the trend following the residual dividend policy model is to emphasize the aspect that companies have more emphasis on retaining profits to reinvest in the distribution of profits after tax of the company. Belonging to this group are companies such as Vinh Hoan Joint Stock Company, Bac Lieu Seafood Joint-Stock Company.

- *Vinh Hoan Corporation (VHC)*

This is one of the leading pangasius farming, processing and exporting companies in Vietnam. The size of the company's business is constantly growing. In 2020, business capital reached the highest level of over 6,907 billion VND and net revenue also reached over 7,165 billion VND. Thanks to the right development strategy, VHC for many years has been enjoying the anti-dumping tax determined by the US Department of Commerce for Vinh Hoan at 0%, while many Vietnamese seafood companies have to pay very high tax rates when selling to the US market. The benefit of an anti-dumping tax at 0% is also one of the main reasons for the Company to achieve high

business efficiency. In 2018 VHC's profit after tax achieved an impressive number for the first time collected over 1,442 billion VND, and in 2019 it reached over 1,179 billion VND. Especially in 2020, like many other businesses in the same industry, it faced certain difficulties due to the complicated epidemic situation, but the profit of the business remained at over 719 billion dong.

Considering the dividend payment from 2010 to 2020, it shows that Vinh Hoan JSC has basically selected and implemented the dividend policy in the style of the dividend surplus model. Most companies focus on retaining profits for reinvestment rather than paying dividends, for example, from 2015 to 2018, profit after tax was quite high, but dividends paid to shareholders were only modest; the dividend rate per share from 2015 to 2018 is VND 1,500, VND 2,500, VND 2,000, and VND 4,000 respectively. In 2019, the Company paid stock dividends to shareholders at the ratio of 1:1. In 2020, the Company paid cash dividends to shareholders at 2,000 VND/share. Although the Company scaled up quite quickly, the business capital in 2020 was 4.1 times larger than that in 2010, but the financial position of the Company is still solid, the debt ratios of the company in the years from 2010 to 2020 are at a low level, especially in the last 5 years from 2016 to 2020, the debt ratios are 0.46; 0.42; 0.36; 0.26; 0.28 respectively. That shows that the growth of Vinh Hoan's business scale is mainly based on equity. This is also the result of an emphasis on leaving reinvested profits in paying dividends in the style of a dividend surplus model.

- *Bac Lieu Fisheries joint stock company (BLF)*

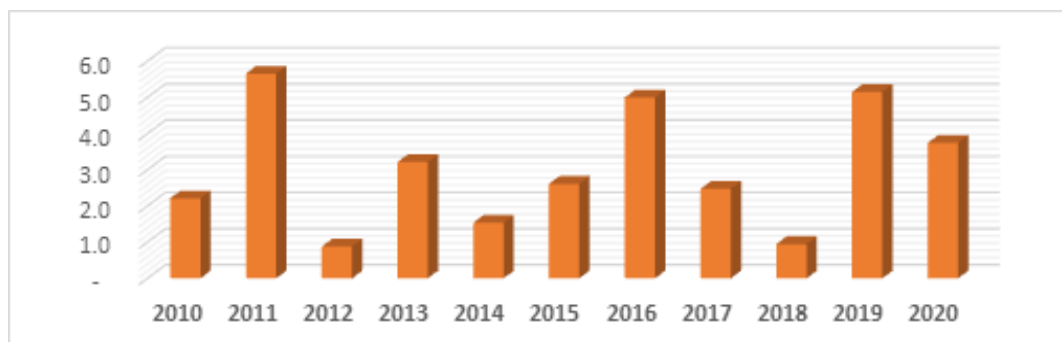


Figure 7: BLF's profit after tax for the period 2010 – 2020 (Billion VND)

Source: Financial reports of BLF company.

In the period 2010 - 2018, a number of listed seafood companies tended to follow the surplus dividend policy model. These companies do not have to strictly follow the surplus policy in the original sense. Here, referring to the trend following the residual dividend policy model is to emphasize the aspect that companies have more emphasis on retaining profits to reinvest in the distribution of profits after tax of the company. An example is the Bac Lieu Seafood Joint-Stock Company (BLF). In the period from 2010 to 2020, the business performance of BLF is not high (average ROA is 0.6%), the profit is not high, the highest year is over 5 billion VND, the lowest year is not up to 900 million dong, a large part of the profit after tax is around 2.5 billion dong a year (Figure 7). During the years from 2010 to 2020, the Company only pays a one-time dividend to shareholders in 2015 at the rate of VND 1,000/share, the remaining profit after tax in the years is retained by the Company for reinvestment.

➤ **For fixing the dividend at a low level and paying more dividends at the end of the year policy model.**

Currently, some companies in some countries follow the policy of paying low fixed dividends and paying more dividends at the end of the year when the company has highly efficient business operations and abundant funds. This dividend policy model is implemented on the basis of a combination of stable dividend policy with fixed rate dividend policy. In the period from 2010 to 2018, among the listed seafood joint stock companies, it can be seen that Sao Ta Food Joint Stock Company (FMC) is a company pursuing this model. This is a large-scale seafood company with high business efficiency (average ROA is 7.7%). Over the years, the Company continuously invested in growth, by the end of 2020 the business capital scale was nearly 3 times that of 2010, the ROA target also continuously increased (Figure 8).

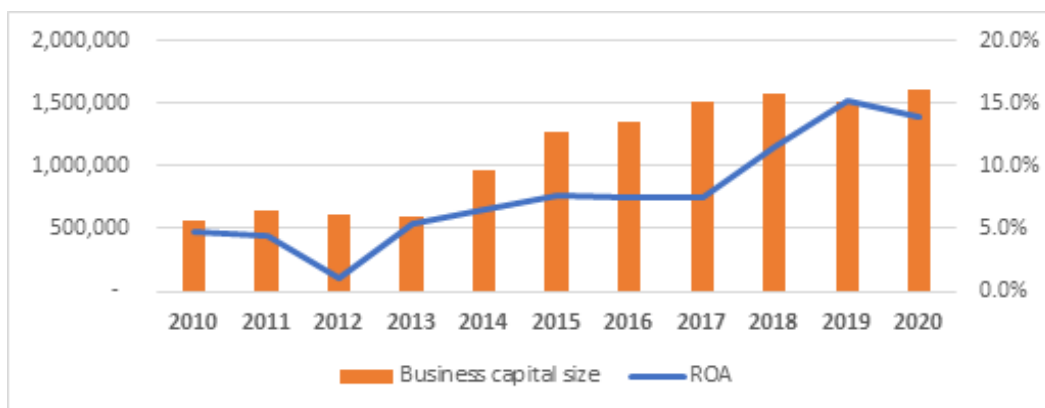


Figure 8: Scale of working capital and business performance of FMC in the period 2010 – 2020

Source: Calculation from the company's financial statements

In order to match the growing investment situation and meet the dividend requirements of shareholders, FMC has implemented a model of fixed dividends during the year and paid additional dividends at the end of the year policy. Except for 2012, for the rest of the year from 2010 to 2018, the Company maintained a fixed dividend payment of 1,500 VND/share; In the years when the Company achieved high profits, and after considering capital for investment, the Company paid additional dividends to shareholders such as in 2010 paid an additional dividend of 800 VND/share, in 2011 paid additional dividends of 1,000 VND/share, in 2015 the additional dividend is up to 3,500 VND/share, in 2017 the additional dividend is 3,000 VND/share, in 2019 the additional dividend is 1,000 VND/share.

Besides the companies that have built and followed a certain dividend policy model, there are still some companies that do not have a clear orientation on the dividend policy model. The dividend payment of these companies still largely depends and fluctuates according to business results. This category of companies includes the following listed seafood companies:

- *Cuu Long Fish joint stock company (ACL)*. This is a seafood company with large-scale business capital, by the end of 2018, the Company's business capital was over VND 1,552 billion. However, the dividend payment of this company is quite erratic, for example, in 2011, the dividend per share was 4,500 dong, but in 2012, due to bad business results, the dividend per share was only

450 VND; Some years, although still earning profits, the Company suddenly did not pay dividends like in 2013, 2016 and 2017. By 2018, the Company paid dividends to shareholders at 2,000 VND/share. In 2019, the Company paid dividends in 2 installments, in which the first period paid a cash dividend of VND 1,500/share and the second period paid a stock dividend at the ratio of 100:120. In 2020, the Company decided to retain all after-tax profits to expand production and business.

- *Ngo Quyen Export seafood Processing Joint Stock Company (NQC) and Seafood Joint Stock Company No. 4 (TS4)*

The dividend payments of these two companies are quite similar: From 2010 to 2016, both companies maintained a constant payment of dividends to shareholders, but the dividend payout per share fluctuated irregularly; continuously in 2 years 2017 and 2018, both companies suddenly did not pay dividends to shareholders even though the Companies still made profits.

- *Camimex Group Joint Stock Company (CMX)*

Being a seafood company with relatively large business capital; however, business efficiency is low. From 2010 to 2020, the Company only paid dividends to shareholders once in 2011. In 2013 and 2016 the Company suffered big losses; therefore, although other years are profitable, the amount of profit is not large. As a consequence, by the end of 2018 the Company could erase all accumulated losses.

- *Investment Commerce Fisheries Corporation (ICF)*

This is a seafood company with medium-sized business capital. The company's business efficiency is quite low. In the years from 2010 to 2015, the Company earned profit after tax, however, the profit earned in each year is not large, for example in 2015 the company's profit after tax was only VND 402 million; For 5 consecutive years from 2016 to 2020, the Company suffered heavy losses. From 2010 to 2020, the Company paid a one-time dividend in 2010.

3. RECOMMENDATIONS AND CONCLUSIONS

It can be seen that in the period 2010 - 2020, many listed seafood joint-stock companies have had certain orientations and pursued certain policy models. Over time, it has been shown that some companies have chosen a relatively suitable dividend policy model, but there are still many companies that choose a policy that is not very suitable with the characteristics and operating conditions of the company. After a period of time from 2010 to the present, listed seafood joint-stock companies need to consider and adjust in choosing dividend policy to suit the characteristics and business conditions of their company. In order to choose a more appropriate dividend policy model for each listed seafood joint-stock company, the author proposes the following suggestions:

- *For the dividend stabilization policy model*

The dividend stabilization policy model is often preferred by shareholders of companies in many countries because it tends to reduce investors' uncertainty about future dividend flows. Many seafood joint stock companies listed in the period 2010-2020 have also chosen this policy model. To select and implement this policy model, for listed seafood companies, it is necessary to pay attention to the following conditions:

- + The company has a relatively stable annual profit after tax, without unusual fluctuations.
- + The company has abundant cash flow, enough capacity to pay dividends to shareholders and pay due debts before and after paying dividends to shareholders.
- + The company needs to keep a certain amount of accumulated undistributed profit after tax to maintain a continuous payment of dividends to shareholders in the years when the company has difficulty in reducing profits.
- + Avoid abrupt dividend cuts, especially avoid sudden non-dividend changes.

It can be seen that the dividend stabilization policy model is most suitable for listed seafood joint stock companies that are in a stable or prolific stage in the life cycle of the business. During this period, the company's scale was relatively stable and thus, the investment demand growth was not large, and the company's cash flow was also quite abundant. In the case that the company is in the growth stage, but in the face of overwhelming pressure from shareholders forcing the company to implement a dividend stabilization policy, it must be extremely cautious. In this case, an important issue to consider is a reasonable starting dividend level for the implementation of the dividend stabilization policy model.

- For the dividend surplus policy model

The surplus policy model is suitable for companies in the process of growth. According to the principle of the policy that the company prioritizes to reinvest profits first according to the optimal capital structure, the remaining profit will be used to pay dividends. However, according to the author, listed seafood joint stock companies should not implement this policy model too mechanically, leading to erratic dividend payment to shareholders.

To implement the dividend surplus policy model, according to the author, seafood joint-stock companies need to have the following conditions:

- + The company is in the growth phase, there are many investment opportunities.
- + Investment opportunities must promise a return higher than the cost of capital to make the investment as well as meet the expected rate of return of shareholders.
- + Do not make excessive investments that deplete the company's financial resources.

- For the fixing the dividend at a low level and paying more dividends at the end of the year policy model.

This is a dividend policy model that is very suitable for companies whose profit after tax often fluctuates and the capital needs for investment often change. This model helps the company to pay dividends more flexibly.

According to the author, the fixing the dividend at a low level and paying more dividends at the end of the year policy model is a fairly suitable model for listed seafood joint-stock companies in the current business conditions when the majority of seafood companies are in the process of growth, many companies are expanding their business scale; continue to search and expand consumption markets. Sao Ta Food Joint Stock Company is a seafood company that has initially successfully pursued this dividend policy model.

To implement the fixing the dividend at a low level and paying more dividends at the end of the year policy model, the following necessary conditions must be met:

+ Although revenue and profit are volatile, the company has good growth prospects.

+ The company regularly has the ability to maintain a certain minimum level of dividends to shareholders.

Thus, there are many different dividend policy models that listed seafood joint stock companies can implement. Each seafood company has different characteristics and business conditions, so it is necessary to evaluate and consider carefully to choose a model of dividend policy suitable for the company.

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CREDIT QUALITY FOR PRIVATE ENTERPRISES IN COMMERCIAL BANKS IN VIETNAM

MSc. Pham Thanh Loc¹

Abstract: *In this paper, the author studies the theoretical framework of the credit quality of commercial banks for private enterprise customers in the area of evaluation criteria and influencing factors; analyzes the current status of the credit quality of commercial banks for private enterprises in the period 2016 - 2020 to perceive the difficulties and causes, thereby proposing some solutions and recommendations to improve the credit quality of private enterprises, promoting the development of private enterprises.*

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Keywords: *Loans for private businesses, the credit quality for private businesses.*

Question: The private economy has been mentioned in many documents and resolutions of the Party. At the same time, banking credit activities are also moving intensely to expand lending to the private economy. Most recently, the Document of the 12th National Party Congress emphasized “Completing mechanisms and policies to encourage and facilitate the strong development of the private sector in most economic sectors and fields to become an essential engine of the economy. Completing policies to support the development of small and medium-sized enterprises and start-ups. Encouraging the formation of multi-owned and private economic groups which contributes capital to state economic groups”. The Conference of the 4th Central Committee, term XII, clearly defined that the strong development of Vietnam’s private sector in terms of both quantity and quality is a vital driving force of economic development, especially in the context of increasingly deep integration into the international financial community. Moreover, this not only creates a favorable condition for bank credit activities for private businesses but also requires credit policies and lending activities to be constantly improved and renewed, undertaking the successful implementation of the Party’s Resolution.

I. RESEARCH SITUATION OVERVIEW

There have been many research works related to the topic of the article such as:

- Ha Thi Mai Anh (2015), PhD thesis “Solutions to improve export credit quality at Bank for Agriculture and Rural Development of Vietnam”, Academy of Finance. According to the thesis, there are factors affecting credit quality: Credit interest rates, credit standards, credit policy, organizational structure and credit management process, credit information and project appraisal, quality of personnel.

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- A. Burak Guner (2007) studied the relationship between lending opportunities and credit quality, analyzing credit portfolios.

- Nguyen Thi Thu Dong (2012), "Improving credit quality at Joint Stock Commercial Bank for Foreign Trade of Vietnam in the process of integration", PhD thesis in economics, University of International Economics: Thesis Credit quality monitoring with scope study is that Vietcombank is in the foreground, we are in the process of changing the economy and are making windows open to the banking sector.

- Faiçal Belaid (2014) Research on credit performance: Faiçal Belaid focuses on studying the impact of internal factors of Tunisian banks such as operating capacity, efficiency of spending costs, capital size, growth and profitability on credit quality.

- Laivi Laidroo, Kadri Mannasoo (2017) research on credit commitments that affect credit quality: The authors focus on analyzing the risks of banks arising from credit growth and off-balance sheet credit commitments are likely to increase excessively. Credit quality is investigated in both macro and micro contexts, using a panel of 28 European countries for the period 2004 - 2014.

- Nguyen Thi Nhu Thuy (2015), "Effectiveness of the bank for agriculture and rural development in Quang Nam province", Thesis on economic scale, Ho Chi Minh National Academy of Politics: The work has signaled the results from the bank angle based on the clustering indicator and the prefix effect including inside and outside of the bank. The author did a practical study at the Bank for Agriculture and Rural Development in Quang Nam Province and had correspondence with other banks in the area.

- Nguyen Van Thanh (2015), Thesis progress "Quality of production credit at Vietnam Bank for Agriculture and Rural Development", Academy of Finance: According to the author, there are the following factors affecting credit Quality signals: Bank policy, credit information, regulatory signals, Bank management, Bank operational organization, active signal server and modern level of public banking turmeric.

- National Scientific Conference (2017), "Application of Basel 2 in risk management of Vietnamese commercial banks: opportunities, challenges and implementation roadmap", National Economics University: The results from the research submitted to the Workshop showed that: Most of the banks have established the Basel 2 Project Management Board; capital adequacy ratio of the banking system was higher than 10 percent (in excess of the regulation 9 percent), but still lower than that of other countries in the region; Commercial banks have made great efforts to further improve the risk management system, but the risk of bad debt is still hidden; the issue of differences in current accounting and disclosure standards compared with international standards. The challenges identified in the process of implementing Basel 2 include: Human resources, increasing equity, building a database system and investment costs for Basel 2 implementation at banks.

II. THEORETICAL BASIS

1. Bank credit for private enterprises

The concept of private enterprise: According to the provision of Clause 1, Article 188 of the Enterprise Law 2020 of Vietnam, "A private enterprise is an enterprise owned by an individual who is liable for all of its operations with his/her entire property".

Characteristics of a private enterprise: Private enterprise is an entity that operates under the ownership and management of individuals and has no legal entity. The owner of a private enterprise has unlimited liability for all business activities of the business.

2. Credit for private enterprises

2.1. Capital and the meaning of capital for private enterprises

Capital needs of private enterprises: Capital is the need of every business. Enterprises necessitate capital to expand production and trade, improve competitiveness in the market and actively integrate into the international economy. If there is no capital to upgrade and replace machinery and equipment, improve business methods, train human resources, it is incapable to enhance product quality, reduce costs and improve competitiveness in the decisive market. Lack of capital would adversely affect the production and business development of private enterprises. Therefore, the methods of mobilizing funds for private enterprises have to be diversified to exploit all capital sources in the economy.

Sources of finance for private enterprises: in the market economy, few businesses solely employ their capital for manufacturing and company operations. It will limit the enterprise's potential to expand production and raise the enterprise's costs. Because of the impact of tax policies, utilizing funds from loans would benefit the enterprises by providing cheaper financing. Although borrowed capital offers numerous advantages in theory, it is not always viable for businesses to borrow capital and to borrow as much as they desire. In Vietnam, private businesses are having difficulty in acquiring financing. Sources of finance include:

- Support from the Government and international organizations.
- Free-market borrowing capital.
- Credit capital from banks and other financial institutions.

The role of bank credit for private enterprises: Bank credit is an economic lever for the establishment and development of private enterprises; Bank credit is the primary source of capital for private enterprises; Bank credit contributes to the increased competitiveness of private enterprises in the market economy.

3. The role of private enterprises in Vietnam's economy

- In terms of absolute numbers, private enterprises dominate the economy;
- Private enterprises play a pivotal role in generating employment opportunities in Vietnam;
- Private enterprises in Vietnam contribute to the creation of steady incomes for the population, as well as to the creation of balanced development and economic reform;
- Private enterprises have an essential role in utilizing the region's financial resources and making the optimal use of local resources;
- Private enterprises contribute to the diversity of industries.

4. Credit quality for private enterprises

Credit quality: Credit quality is the satisfaction of customers' capital requirements in accordance with socio-economic development and ensuring the survival and growth of commercial banks. For the purpose of obtaining credit quality, the credit activities have to be effective in addition the credit relationship has to be built on trust and reputation.

Thus, while assessing the credit quality of commercial banks in general and private enterprises in particular, three aspects should be considered: commercial banks, customers, and the economy.

Initially, the quality of credit activities from the perspective of commercial banks: Credit quality, as indicated in the scope, extent, and limit of credit, should be consistent with the banks' ability and strength, ensure market competitiveness, as well as ensure the principle of timely and profitable repayment. The quality of credit activities has to be reflected in reasonable and increasing profit targets, growing outstanding loans, suitable and adhering to regulatory overdue debt ratio, ensuring capital structure between the short, medium, and long-term in the economy.

Secondly, the quality of credit activities from the customers' perspective: Through long-term relationships with customers, understanding customers would help the bank understand the customers' credit demands, assuring the satisfaction of customers' capital needs. In today's competitive environment, quality is the top requirement, hence credit quality is to satisfy customers' reasonable requirements, reasonable interest rates, hassle-free and straightforward procedures, attracting while still upholding credit principles and regulations in accordance with the development speed of society, ensuring the banks' survival and development, and contributing to healthy corporate finance.

Thirdly, the quality of credit activities from the perspective of the economy: Credit activities in recent years have reflected the dynamism of the economy as it transitions to a new mechanism. New concepts with innovative contents have been developed to establish unity of awareness and facilitate the improvement of credit activity quality.

Credit promotes production and business, creates jobs for employees, boosts products for the society contributing to economic growth, and exploiting the economy's hidden potentials, attracting maximum idle capital in the country, taking advantage of foreign financing to enhance economic development.

From the above-mentioned problems, it can be concluded:

- Credit quality is a composite indicator that reflects a commercial bank's adaptability and the changes of the external environment, as well as the strength of a bank in the process of competing for survival.
- Credit quality is evaluated by many factors: attracting quality customers, simple and convenient procedures, credit capital safety level, the overall cost of production, operational costs.
- Credit quality does not exist by nature; it is the outcome of a process that involves coordinating activities between individuals in an organization and between organizations for a mutual goal; consequently, management is vital to attain credit quality.

Quality management is basically the activities and techniques used to achieve good quality. With the purpose of achieving good credit quality, the credit activities should be effective, and the credit relationships have to be established on the basis of trust and credibility in operations. In other words, credit quality is directly proportional to operational efficiency and dependability. Understanding the true nature of the credit quality, properly evaluating and assessing current credit quality, and precisely diagnosing the reasons for quality problems would assist banks in taking appropriate measures to stand strong in an active and fiercely competitive market.

Factors affecting credit quality for private enterprises: It is common knowledge that credit quality is an indicator to evaluate credit performance and has great significance to the existence and development of the bank. Credit quality is reflected in the satisfaction of customers' borrowing needs, in line with the country's socio-economic development, while also assuring the bank's survival and growth. To realize its operational goal of seeking profit based on the bank's functions and tasks, specifically credit activities, each bank has to improve its credit quality. To achieve that, it is necessary to study the impact of factors affecting credit activities, which can be categorized into three groups:

- ***Factors belonging to commercial banks***

For commercial banks: credit quality is reflected in the scope, extent and credit limit, which has to be appropriate with the commercial bank's own capacity and ability while also ensuring competitiveness in the market with the principles of on-time repayment and having profits. Credit policy, organization, staff quality, bank capital size, credit information, credit process... are factors that need to be considered.

(1) Credit policy: is a system of measures related to credit extension or credit restriction that a commercial bank uses to accomplish its predetermined objectives.

As a result, the formulation of the credit policy is critical to the success or failure of each bank. A proper credit policy would attract numerous consumers, secure the profitability of credit activities based on risk dispersion, comply with the State Bank's regulations and guidelines, and provide social fairness. Any bank that wishes to enhance its operational efficiency would have a credit policy tailored to the bank's specific circumstances.

Credit activities in the market economy are fraught with danger. When a bank faces risks, it may go bankrupt or suffer substantial damage, and lose credibility with customers and state management agencies. As a result, while developing credit policies, planners always place a premium on ensuring that the target is achieved, therefore it can be said that whether a bank's credit quality is good or bad is determined by whether the bank's credit policy is proper and appropriate.

(2) Organization of commercial banks: To facilitate the effective management of credit sources of capital, there should be smooth coordination between departments, unity, and solidarity from the top down, from management to staff. This indicates that well-organized banking provides the foundation for conducting proper credit operations. Furthermore, if a bank has a good organization, the bank has made its machinery flexible. As a result, banking operations should always prioritize this activity to grow and improve.

(3) Credit information: Lending is not a simple matter. Not all businesses use loans effectively and appropriately. In addition, there can be impostors who impersonate companies to make illegal

loans, illegally appropriate capital, creating risks and losses for banks. Therefore, credit activities require an effective information system to serve this work to achieve high efficiency and safety. Timely and accurate information flow collection is a condition for consideration and analysis to reveal the greatest opportunities in business and prevent possible risks in the bank's activities.

(4) Quality of banking staff training: Staff quality is the "material basis" for implementing business strategies in the present market mechanism, which is continuously changing and fluctuating. Therefore, while recruiting banking personnel, it is vital to prioritize individuals with a strong moral character, good professional capabilities, dynamism, and creativity. During the operation, conducting training and re-training programs on a regular basis is critical to improving staff quality and ensuring the process of completing duties swiftly, accurately, and flexibly in handling unexpected problems.

If a bank has a team of well-trained and qualified employees, the management and performance of banking credit operations in particular and banking operations, in general, will become more organized and efficient. Furthermore, it assists the bank in avoiding possible risks.

(5) Problems of inspection, supervision, and monitoring: Expansion of credit activities and increased lending without taking into account potential dangers and uncertainties would rapidly lead to the failure of any bank.

Inspection, supervision, and monitoring are actions that banks would use to avoid such risks. These tasks are undertaken not only for customers (such as checking before, during, and after lending) but also for the banks themselves such as lending process, capital management process, eliminating unqualified officers with embezzlement, corruption resulting in asset loss, and discrediting the bank with customers.

Improving credit quality also implies that the banks have to promptly detect and prevent legal violations that have an impact on the banks' operations. To do so, the training of qualified and accountable officers to carry out inspection, supervision, and monitoring is an issue that all banks prioritize.

• ***The factors belonging to customers***

For customers: since the customers' demand for credit loans is to invest in production and business activities, the assessment of credit quality is based on compatibility with the customer's intended usage with reasonable interest rates and terms. In addition, the simple and convenient loan procedures would attract large numbers of customers while still adhere credit principles.

Customers, as borrowers, want to be fully supplied with capital in accordance with their business requirements with a reasonable loan term and interest rate, quick and straightforward procedures.

(1) Human factors: The human elements include the borrowers' ethics, business goals, duties, and incentives.

Incorrect borrower information is a hazardous sign that affects the quality of credit and the borrower's efficiency.

Another critical aspect is the customer's business determination. A borrower with strong willpower is necessary for the business plan to be successful, as this will provide sources to repay the bank on time and in full, ensuring the bank's credit quality and enhancing the bank's reputation.

The *business management ability of the customer* is another aspect that should be considered to assure the bank's credit quality. A competent business manager is one who effectively manages the company's cash flow, controls expenses, recognizes profit opportunities, and makes sound business decisions, resulting in earning profits that may be used to repay bank loans.

(2) Customers' reputation, financial capacity, and debt repayment ability: The bank will only authorize loans if customers demonstrate their financial capability and ability to repay the bank's obligations. The bank will not take the risk of lending to customers with a poor reputation whose financial capacity is in doubt. As a result, when a bank provides a loan, collateral is usually required to secure the source of repayment for the loan. The loan value is determined based on the collateral value. Typically, banks lend no more than 70% of the collateral's value (unless otherwise specified).

(3) Feasibility of the loan project: banking officers would base on the feasibility of a project to make a loan decision. That is also a factor affecting the loan's quality and the bank's credit quality.

On the other hand, if the customer misuses the loan or uses the short-term loan for fixed production investment or real estate business, it will be unable to recoup the capital to repay on time, severely impacting credit activities.

- **Objective factors**

(1) Economic environment: it is necessary to have a stable economy for a bank to mobilize capital to expand credit activities which support economic development. A tough economy will help banks expand their operations, keep prices stable, and avoid inflation or deflation.

When the economy is unstable, banks might expose to risks. The business cycle has a significant impact on banks' lending activities. During a market economy recession, production stagnate, businesses shrink, and demand for credit capital declines. It is also challenging to use the credit capital effectively and there may be difficulties in repaying the loan on time. In contrast, when the economy thrives, production and business expand, leading to an increase in capital demand, improving credit quality, reducing credit risks. Accordingly, the economic cycle has a significant impact on the efficiency of banking credit.

In addition, the policies and regulations of the competent authorities in each industry and each region impact credit quality.

(2) Socio-Political environment: Customers and the bank establish a credit relationship based on mutual trust. As a result, the trust serves as a link between the bank and the customers. The higher the bank's market reputation, the more customers it will attract. The social interaction existing between the bank and its clients is also an essential aspect in determining the size and scope of any bank's operations, particularly in lending activities.

Political factors have a substantial impact on credit activities. Indeed, a country free of political turmoil or conflict is a favorable environment for foreign investors because foreign

investors concern not just with investment returns but also with the protection of their investments. A stable political economy is a crucial condition for economic development. Specifically, it has an impact on bank capital mobilization, lending, and investment. Therefore, it can be said that political factors affect credit quality.

(3) Legal environment: Legislation is extremely essential in banking operations in general and in credit quality in particular.

Legislation is an indispensable part of every economy. If laws or policies are not adopted, the economy will face several challenges. In addition, if the legal system that has been promulgated is incomplete and asynchronous, the sub-law documents still have many contradictions during implementation and are unsuitable with the departments and units involved in the credit activities, credit quality will be affected negatively.

The legislation would establish a healthy legal environment in which all production and business activities of enterprises from all economic sectors conduct conveniently and effectively. It also serves as the legal foundation for resolving disputes across economic sectors. Businesses and banks must comply with the law's strict regulations, which helps to ensure their efficiency and benefits. This legal framework is always being altered and augmented to make it more suited for the overall development of the economy, including the banking system.

(4) Other factors: In addition to the factors mentioned above, the effectiveness of the bank's lending is also greatly influenced by other subjective and objective factors such as customer service attitude, social ethics or environmental factors such as weather, epidemics..., and measures to protect the ecological environment.

III. PRACTICE OF CREDIT QUALITY FOR PRIVATE ENTERPRISES IN COMMERCIAL BANKS IN VIETNAM

Table 1: Outstanding credit to the economy and credit growth rate 2020 - 6/2021

Unit: Billion VND, %

No	Indicators	31/12/2020	30/6/2021	Increase/Decrease compared to 2020 (%)
1	Agriculture, forestry and fisheries	775,709.18	789,749.52	1.81
2	Industry and construction	2,586,369.42	2,746,982.96	6.21
	- Industry	1,732,509.95	1,886,703.34	8.9
	- Construction	853,875.55	860,279.62	0.75
3	Commerce, Transport and Telecommunications	2,346,122.47	2,529,120.02	7.8
	- Commerce	2,104,850.02	2,276,605.78	8.16
	- Transport and Telecommunication	241,340.19	252,514.24	4.63
4	Others	3,484,246.30	3,719,084.5	6.74
	Total	9,192,913.38	9,784,937	6.44

Source: State Bank of Vietnam

The current situation of credit structure in Vietnam has been positively adjusted, with lending focusing on the production and business sectors, positively contributing to economic growth. In the 2016-2020 period, approximately 80 percent of the economy's outstanding loans focused on manufacturing and business. The credit growth rate in several key economic sectors was always higher than the system growth rate and higher than the same period last year. The credit balance of the economy reached roughly VND 9,192,566 billion as of December 31, 2020, an increase of 97.44 percent from the end of 2015. The credit outstanding of trade and service reached VND 5,830,513 billion, accounting for 63.43 percent of the credit outstanding of the economy, a growth of 119.74 percent compared to the end of 2015. The credit outstanding of industry and construction reached VND 2,586,355 billion, accounting for 28.14 percent of the economy's credit outstanding, a 68.27 percent rise from the end of 2015. The credit balance of the agriculture, forestry, and fisheries was VND 775,702 billion, accounting for about 8.44 percent of the economy's credit outstanding; climbed by 66.65 percent compared to the end of 2015.

However, the credit structure still favors large corporate customers. Many private enterprises lack access to capital. As of December 31, 2020, there were 1,923 enterprises with a total credit level of VND 500 billion or more at 101 credit institutions and 02 development investment funds. The total level of credit to large customers was VND 3,202 trillion, accounting for 34.85 percent of the total credit outstanding of the economy.

Table 2: Credit outstanding in five priority sectors by the end of 2020 and growth rate in 5 years from 2016 to 2020

Unit: Billion VND, %

Sectors	Outstanding loans at 31/12/2020	Proportion of total outstanding loans	Growth rate compared to 2015	Average growth rate for the period 2016 - 2020
Rural agriculture	2.277.404	24,77%	169,84%	18,17%
Export	272.268	2,96%	48,27%	7,59%
Supporting industries	227.320	2,47%		17,96%
High-tech application enterprises	32.373	0,35%		4,39%
Small and medium enterprises	1.819.152	19,6%	72,91%	15,66%

Source: State Bank of Vietnam

As of December 31, 2020, total outstanding credit for the real estate sector stood for 19.83 percent of total outstanding loans to the economy; outstanding investments in corporate bonds of construction and real estate sector accounted for 52.9 percent of the total investment in corporate bonds. Meanwhile, the entire credit balance for priority sectors, represented around 50.15 percent of total outstanding loans to the economy, excluding duplication. This circumstance has the potential for concentrated credit risk, limiting other subjects' capacity to acquire bank credit and causing inequality in credit allocation for sectors and fields to develop sustainably, including five priority sectors.

Vietnam's deposit and lending interest rates are currently higher than the average level compared to other countries in the region (according to World Bank data, Vietnam's lending/deposit interest rates in 2019 are 7.71 and 4.98 percent, respectively, only lower than Indonesia (10.37 and 6.69 percent), higher than Thailand, Malaysia, and the Philippines). Lending interest rates are falling at a slower rate than deposit rates (In 2020, lending interest rates decreased by 1-1.5 percent but deposit interest rates declined by 2-2.5 percent). The personal/business loan interest rate is 8-10 percent, possibly up to 11-12 percent. Currently, lending interest rates usually range from 6 – 25 percent per year. These rates vary depending on the bank, the type of loan, incentives, and how interest is computed. Typically, the interest rates on unsecured loans range from 16 to 25 percent per year, while the interest rates on mortgage loans range from 10 to 12 percent per year.

The share of private companies, particularly micro-enterprises, that have difficulties or constraints in obtaining financing remains high (according to the General Statistics Office, as of December 31, 2019, the number of private enterprises that have loans at credit institutions is 200,345 out of 758,610 operating enterprises, equivalent to 26.4 percent). According to the Institute of Policy and Strategy for Agriculture and Rural Development's survey results, more than 80 percent of private agricultural companies have limited or no access to capital.

Many private companies complain that it is impossible to get traditional loans and can only obtain short-term loans, with extremely limited access to medium and long-term financing. Micro-private companies sometimes face higher financing costs than large enterprises. It is worth noting that businesses are unable to obtain loans unless they have collateral. Besides, the lending procedure is time-consuming and complicated.

Only small-scale joint-stock commercial banks with relatively high interest rates can provide capital to private companies. Nonetheless, they are unable to obtain low-cost loans from large banks due to lengthy borrowing procedures and the restriction of their line of credit. Small-scale commercial banks often have higher mortgage rates, lending procedures are simpler than those of large commercial banks such as Vietcombank, Vietinbank, and so on; nevertheless, lending rates are also higher.

According to a 2017 survey conducted by the Department of Business Development, the private sector has consistently maintained a reasonable growth rate, attracting approximately 85 percent of the labor force, making an essential contribution to mobilizing social resources to invest in production and business development, economic growth, economic restructuring, increase in state budget revenue, job creation, improvement of people's living standards, and social security assurance. The private has always contributed more than 43 percent of GDP (compared to the state sector's 28.9 percent of GDP and the FDI sector's 18 percent of GDP).

Private firms outnumber public enterprises in terms of quantity, however, operational efficiency has not improved considerably. However, according to the recently released survey statistics of the Vietnam Chamber of Commerce and Industry (VCCI), the private sector remains fragmented; of the approximately 600,000 firms currently operating, 97 percent are small and medium enterprises. 85-90 percent of these are small and micro enterprises, while approximately 70 percent are unprofitable operations.

According to statistics of the Tax Administration Department of Large Enterprises (General Department of Taxation), only Viettel, Vietcombank, Honda, PVN stand out among 1,000 large enterprises (accounting for 56 percent of the national revenue), with no private enterprises. This demonstrates that major private companies have not contributed significantly to the budget, and the remainder has not operated efficiently.

The World Bank report 2017 stated that access to finance is capital is a major impediment to the business of private enterprises. According to experts, the bottleneck of private enterprises today is facing numerous challenges.

There are barriers in the business environment, as well as inequality with other economic sectors and difficulties in accessing capital. The ability to access credit of private enterprises, especially small and medium-sized enterprises, to receive financing through the banking system remains constrained. Between 2012 and 2017, the proportion of outstanding loans for small and medium enterprises represented an average of 22-25 percent of the total credit balance of the economy.

According to the Credit Department for Economic Sectors (SBV) statistics, up to now, the credit balance for small and medium-sized enterprises has reached nearly 1.3 million billion, accounting for roughly 22 percent of outstanding loans. Credit to the economy increased by 6.5 percent compared to the end of 2016, with nearly 200,000 customers having loans at credit institutions, an increase of 10,500 customers compared to the end of 2016. The banking sector has taken several efforts to alleviate obstacles for private companies, yet 70 percent of private enterprises are still unable to obtain bank loans.

The National Economics University research team's direct survey data of 695 companies in Hanoi, Da Nang, and Dong Nai, published at the end of 2017, also reveals that 298 enterprises requested bank loans (State-owned enterprises account for 68 percent, private enterprises are 60 percent and foreign-invested enterprises with a lower proportion are only 48 percent).

Companies that were refused or only partially funded by banks stated that the primary reason was ineligible collateral. It is mostly difficult for small and medium enterprises to access official loans because most manufacturing facilities, machinery, and equipment are leased. Similarly, for firms that did not receive a bank loan (excluding those who do not have requests), inadequate collateral is a primary reason for not approving loans.

Besides the barrier of collateral requirements, companies would still obtain financing at high interest rates, according to the empirical analysis results from the report's survey samples. In addition to paying high interest rates, companies have to pay extra fees and gifts.

According to the findings of the analysis, businesses that pay bribes and gifts would increase their probability of receiving a loan from credit institutions by about 17.6 to 24 percent. Discrimination still exists in the process of appraising loan applications from credit institutions between small and medium-sized enterprises and large enterprises, as well as between privately owned and state-owned enterprises.

Specifically, experimental results suggest that the probability of a loan application being approved for disbursement is lowered by about 23.7 percent to 26 percent if the business requesting

a loan is a small and medium-sized enterprise. In contrast, if the firm is state-owned, the probability rises by around 2.3 to 2.8 percent.

Another reason why many private enterprises are hesitant to contact banks is a lack of transparency in operations as well as a lack of systematic and methodical management. Many businesses lack a clear operating strategy that convinces banks to approve loans.

A factor that positively affects a firm's access to capital is its operational experience in the market. The likelihood of being approved for loan climbs by 1.6 to 1.8 percent as the age of the business grows by one year. However, this is also an obstacle for private enterprises, especially small and medium enterprises, because the average age of this group of enterprises in Vietnam is still quite young. Furthermore, the qualifications of business owners are limited, with only 12.23 percent of small and medium-sized firms employing a chief financial officer.

Most small and medium enterprises today have not prepared formal financial statements to meet the requirements of banks. Private enterprises often have a short establishment time, however, banks' lending standards need enterprises to be founded for 2-3 years or more and to have grown earnings for many consecutive years.

According to statistics, up to 90 percent of startups are not profitable within the first three years. Due to the dire financial situation, the production and business operations are unstable; the capital, technology, human resources, management, and marketing skills are all restricted, even doing business based on experience or capture. As a result, obtaining bank credit is frequently difficult.

The experimental results of the National Economics University research team also indicated that the geographical location of enterprises and the procedures for obtaining bank credit had a significant impact on the ability to access the capital of enterprises.

The greater the distance between a firm and a bank, the less access to loans will be. The possibility of the loan being approved is estimated to be lowered by around 15 percent. At the same time, businesses also said that obtaining bank loans is still difficult and time-consuming. This also reduces the probability of companies obtaining bank loans by roughly 11 percent.

Table 3: Reasons why private businesses are refused loans by commercial banks

Main reasons	The rate of businesses not being able to get credit loans
Non-Qualifying Collateral	84.62%
Projects are not eligible for loans	37.50%
High cost	40.38%

Source: State Bank of Vietnam

Table 4: NPL ratio of some Vietnamese commercial banks on June 30, 2021

Name of commercial bank	Bad debt ratio (%)
TechcomBank	0.40
MB	0.70
VietcomBank	0.74

BacABank	0.80
VIB	0.90
KienLongBank	1.08
TPBank	1.10
HDB	1.20
VietinBank	1.30
LienVietPostBank	1.34
NCB	1.40
NamABank	1.42
SaigonBank	1.43
OCB	1.53
SacomBank	1.55
BIDV	1.60
MSB	1.60
SeaBank	1.70
VietBank	1.91
SHB	2.00
EximBank	2.00
ACB	2.00
VietABank	2.00
ABBank	2.30
PGBank	2.70
Viet Capital Bank	2.80
VPBank	3.40

Source: State Bank of Vietnam

The data of 27 listed banks shows that the bad debt ratio on the balance sheet as of June 30, 2021, in most banks has decreased compared to the end of 2020. Indeed, many banks have very low lousy debt ratios such as TechcomBank, MB, VietcomBank, or VIB. These specified banks have been highly appreciated for asset quality by the market in recent years. However, banks that used to have dreadful debt ratios at the warning level, exceeding the regulations of the State Bank, namely KienlongBank and NCB, have reduced their bad debt ratios to a relatively low of 1.08 percent and 1.4 percent respectively. This happens because of the acceleration of collateral and non-performing loan handling processes taken by banks. The banks with high NPL ratio in the first half of 2021 are ABBank (2.3 percent), PGBank (2.7 percent), VPBank (3.4 percent) even though the credit growth of this group is relatively high, particularly VPBank, ABBank, and PGBank being 6.8 percent, 5.6 percent, and 2.4 percent respectively.

Some large banks have sharply increased their Group 5 debts (Potentially irrecoverable debts). VietinBank, for instance, increased its irrecoverable debts by 103 percent and accounted for over 80 percent of the total bad debt of the bank. Moreover, VietcomBank increased its debt in group 5 by 19 percent, representing 75 percent of the actual bad debt. Likewise, MB increased its group-5 classified debt by 145 percent, accounting for 50 percent of total bad debt. This indicates that both credit quality in general and credit quality for private enterprises have not been high lately, especially during this tough pandemic time. Even though the bad debt ratio decreased, most banks

increased their provision in the first half of the year. Leading banks' substantial asset levels tend to increase their provisioning enormously. This sharp increase in provisioning indicates that banks are more cautious with bad debts.

According to the provisions of Circular 03 of the State on rescheduling debt repayment, exempting and reducing interest and fees, maintaining the same debt group to support customers affected by the COVID-19 pandemic, banks might choose the option of setting up a risk provision with a minimum level of 30 percent in 2021. The remaining 70 percent can be further made in 2022, 2023. Many banks, however, opt to make a significant or complete provision for overdue loans instead of applying Circular 03. This choice may reduce the banks' profit in the short term, but it provides more advantages than the other group in the long term.

IV. SOLUTIONS TO IMPROVE CREDIT QUALITY FOR PRIVATE ENTERPRISES IN VIETNAM COMMERCIAL BANKS TODAY

1. Solution:

With the aim of supporting the private business sector, especially small and medium-sized enterprises, in accessing credit funds, experts suggested that there should be an asynchronous and effective solution for both banks and the private business sector.

First of all, a system for sharing stakeholders' information, such as tax authorities, business registration, bank credit information, is required, allowing banks and small and medium enterprises to access shared information and achieve financial transparency. As a result, it better serves the assessment and credit rating of small and medium enterprises.

The government should also encourage banks to promote credit extension to businesses, helping them grow gradually while sharing difficulties with them. Otherwise, these businesses would not be able to survive. In each economy-developing stage, state agencies should continue to update policies and incentives to support business development, strengthen internal factors, and act as a driving force for the development of the economy. Precisely, the banking industry should have measures to encourage private enterprises, especially those small and medium enterprises, to borrow capital.

Credit institutions continue:

- To review for the improvement and simplification of loan procedures.
- To concentrate on the development of various loan products, specifically those offered for small and medium-sized enterprises, as well as foreign currency products and hedging tools against interest rate and exchange rate risks. This aims to assist firms in undertaking proactive capital planning and strengthening their risk avoidance.
- To develop a bond market for private enterprises.

To give more opportunities for small and medium-sized enterprises to obtain credit funds, the State Bank should: (i) revise to curtail secured transactions procedures; (ii) not let numerous operations and notarization being carried out by the private enterprise sector currently; (iii) implement solutions to remove difficulties in credit relations between credit institutions and enterprises; (iv) actively deploy a bonding program between banks - businesses and local authorities

to coordinately directly overcome problems and obstacles in all different fields that makes bank credit funds accessible. Simultaneously, decentralization empowers local authorities to confirm the status of land and assets owned by people and businesses as a basis for capital borrowing.

The criteria for credit support policies should be transparent and comprehensible, stimulating effective capital lending for businesses. In particular, that means:

- Encouraging the development of the non-banking financial system, loosening constraints related to collateral together with simplifying and improving lending procedures.

- Creating loan interest cost parity, balancing loan capitals with appropriate interest rates and favorable terms for corporations, including concessional loans.

- Expanding all kinds of hire-purchase forms, providing credit support with more favorable interest rates for feasible and effective start-up projects.

According to Rong Viet Securities Company (2018) statistics, short-term lending interest rates of state-owned commercial banks are presently at 6.8 percent - 8.5 percent/year, while the borrowing costs in the mid and long-term fluctuated around 9.3 percent - 10.3 percent/year. However, only large-scale enterprises can access these lending rates, while the remainder does not.

Following a study conducted by the National Economics University's Research team, enterprises, particularly small-sized ones, have recently obtained official loans at the relatively high average interest rate and unreasonable term length. Thus, while applying for credit loans, it is vital to create financial equality across different enterprises.

Banks should develop a variety of credit products, including special-purpose credit products for private enterprises and new products such as foreign currency products, hedging tools for interest rate and exchange rate risks to help businesses be proactive in capital, enhance risk prevention, provide package products in terms of lending, supply chain financing, payment services, trade finance, insurance, salary; solutions for financial management, collection, cash flow management, e-banking services... help save costs, time, and human resources for businesses.

In addition, a range of solutions to improve enterprises' managerial ability, consisting of fostering and developing expertise in management, finance, accounting, and market economy is required. On top of that, the crucial completion of the corporate accounting system is expected to be useful not only for tax reporting but also for financial management and business decision-making.

Enterprises have to promote and restructure their operations, corporate governance, together with improving financial capacity, business transparency and trust building so that credit institutions are able to be confident in credit granting. Thus, enterprises' competitiveness is enhanced.

Firms that have competitive advantages will get favorable opportunities in profit generation, capital raising while having their business project more feasible compared to others. These good factors will help enterprises easily access alternative funding options for business activities and grow their operations to the next level.

Specifically, commercial banks should focus on:

(i) Expanding capital sources, improving capital adequacy ratio: Joint-stock commercial banks retain profits or issue shares with dividends to existing shareholders, issue bonds to increase capital in the medium and long term. State-owned joint-stock commercial banks increase wealth by selling off state shares and reducing the state ownership limit.

(ii) Handling bad debts: Joint-stock commercial banks review all debts objectively, thoroughly, and accurately assess risks, customers' debt repayment ability, debt collection sources, debt restructuring based on thoroughly evaluate the customer's ability to recover debt repayment capacity; Strengthening measures to liquidate debts, to handle irrecoverable debts completely.

(iii) Improving credit strategy and policy: Orienting targets, plans, and responsibilities for credit activities. Planning a clear vertical credit reporting hierarchy.

(iv) Strict credit risk management: Joint-stock commercial banks also need to develop an internal credit risk assessment system for private customers, applied in all bank departments while the bank is allowed to control the credit quality of its customers. At the same time, banks have also developed a credit quality assessment process and an early warning system to identify possible changes in customers' solvency early. For loans with adverse developments in debt quality, in addition to carrying out debt recovery procedures through a specialized department, the bank must proactively make adequate and timely provisions according to current regulations.

(vi) Improve the quality of internal control and loan management: Joint-stock commercial banks need to step up inspection and supervision of post-control activities of business units by the Credit Quality Review Divisions of Head Offices.

(vii) Improving the quality of credit officers: Bank recruiters need to select credit officers when recruiting; Continuing to innovate the staff evaluation in the whole system through the essential completion of the KPI framework system for positions at the Branch; KPI set of functions at Head Office Department/Center; Develop a draft Regulation on staff evaluation according to KPI; Implement the renewal of the Salary Regulation, perfect the Collective Labor Agreement.

(viii) Building a modern banking technology and credit information system: Joint-stock commercial banks should prioritize developing a comprehensive digital banking strategy in all aspects of business activities, processes, products, distribution channels in line with the trend of industrial revolution 4.0.

(ix) Removing the "knots" of capital for private enterprises.

2. Recommendations

a) For the State

Firstly: Improve the legal environment related to credit activities by handling problems in the implementation of Resolution 42/2017/QH14. Many ministries, branches, and localities have not fully implemented Resolution 42, leading to inconsistencies in handling harmful debt recovery procedures for banks.

Secondly: Developing a competitive debt trading market. Handling bad debts in Vietnam should combine a centralized flawed debt settlement model and develop a buying and selling debt market to socialize the demand for lousy debt investment in Vietnam.

Thirdly: the securitization of bad debt. The state needs to securitize bad debts by two methods: First, if the enterprise has a good history of business administration, is facing difficulties in repaying the principal, or because the investment projects under construction have not been put into operation, etc., then a part of the principal can be converted into medium-term bonds. This is to support liquidity and help businesses survive and develop. Second, converting overdue debts and bad debts into shares, also known as securitization of bad debts. At the same time, change the position of banks that are currently creditors into major shareholders holding the majority of shares if the business can survive and develop after restructuring.

b) For the State Bank

Firstly: Credit growth towards safety and sustainability. The State Bank should let each bank adjust its business plan. The banks themselves ensure the capital adequacy ratio, such indicators as outstanding loans on deposits, lousy debt ratio not exceeding 3 percent..., while banks' growth and business operation depends on the conditions and the capacity of each bank.

Secondly: Improve the lousy debt handling capacity for VAMC. VAMC needs to be granted ultimate power, supported by good experts in this field, with reasonable approaches and the development of Vietnamese debt buying-and-selling market.

Thirdly: Improve the quality of the Credit Information Center (CIC). The State Bank should encourage banks to use credit information from CIC as a mandatory document in the loan appraisal process.

Fourthly: Strengthening the inspection and supervision of the banking system. It is necessary to coordinate closely with relevant agencies to develop accurate and objective inspection conclusions without overlapping the inspection contents of different agencies such as government inspectors and auditors, government, tax inspectors.

c) For the National Financial Supervisory Commission

It is necessary to have a regime to publicize information on summarizing financial statements of Vietnamese joint-stock commercial banks over the years.

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THE SUSTAINABILITY OF VIETNAM'S STATE BUDGET REVENUE BY STRUCTURE IN THE PERIOD OF 2015 – 2019

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Abstract: *In the period of 2015– 2019, Vietnam's state budget revenue activities had achieved encouraging results such as: the scale of budget revenue was increasing, the revenue growth rate according to the estimate was high. However, state budget revenue was assessed not really sustainable, the implementation of tax reduction according to integration commitments put a lot of pressure on future state budget revenue, the speed of state budget revenue gradually decreased due to the low efficiency of the economy. The paper aims at assessing the current status of Vietnam's state budget revenue by structure in the period 2015-2019 according to three criteria: economic sectors, economic elements and taxes to showcase the positive manifestations of the revenue structure and its limitations towards sustainability, thereby proposing solutions to adjust the state budget revenue to ensure the stability and sustainability in the future.*

Keywords: *State budget revenue structure, state budget, state budget revenue*

INTRODUCTION

The reasonable State budget revenue structure plays an important role not only to ensure sustainable State budget revenue, but also to positively impact socio-economic development, so countries usually pay attention to identifying a reasonable State budget revenue structure effectively. Stemming from the actual requirements in each period, the Government will make structural changes to the total State budget revenue, ensuring that the State budget is more and more sustainable in accordance with the specific conditions of the country's socio-economic development in each stage of development. In Vietnam in 2016, the Government has implemented a restructuring of State budget revenues and expenditures, strictly controlling State budget overspending and public debt. In 2017, the Government implemented a number of new budget and financial management policies such as the amended Law on State budget, the Law on Fees and Charges, the National Five-Year Financial Plan for the period 2016-2020, the medium-term public investment plan for the period of 2016-2020, the economic restructuring plan for the period of 2016-2020... In terms of revenue, it is needed to increase the proportion of domestic revenue sources to ensure the stability of State budget, offsetting the decrease in revenue from crude oil and import and export activities when implementing FTA commitments. Therefore, in the period of 2015-2019, the State budget revenue structure gradually improved in a positive way, but to ensure sustainability and promote the positive role of State budget revenue to socio-economic development, it is necessary to continue adjusting the State budget revenue structure.

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1. STATE BUDGET REVENUE STRUCTURE IN VIETNAM IN 2015-2019

1.1. Positive manifestations of the State budget revenue structure toward the sustainability

Firstly, the State budget revenue structure by sector includes: domestic revenue (excluding revenue from crude oil), revenue from crude oil, balanced collection of State budget from exports, imports (imports) and non-refundable aid collection.

Sustainable State budget revenue must have a large proportion of revenues from domestic economic activities (domestic revenues) which are tax revenues based on domestic economic activities. Revenues from crude oil and import and export taxes must account for a small proportion, because these revenues are difficult to sustain because they are highly dependent on world market fluctuations, affected by external factors. State budget revenue is moving toward sustainability as the revenue structure shifts towards increasing proportion of domestic revenues, gradual reduction of dependence on revenues from mineral resources (crude oil) and revenues from export and import. The status of State budget collection by sectors in the period of 2015 - 2019 is summarized in Table 1 and Figure 1.

Table 1: State budget revenue structure by sector in the period of 2015 - 2019

Figures in: billion dong

No.	Criteria	2015	2016	2017	2018	2019
	Total State budget Revenue	998,217	1,107,381	1,293,627	1,431,662	1,553,611
1	Domestic revenue (excluding crude oil revenues)	749,560	886,791	1,039,192	1,155,293	1,277,988
2	Revenue from crude oil	67,510	40,186	49,583	66,048	56,251
3	Revenue from import and export	169,303	172,026	197,272	202,540	214,239
4	Revenue from non-refundable aids	11,844	8,378	7,580	7,780	5,133

Source: Ministry of Finance - Annual State budget settlement

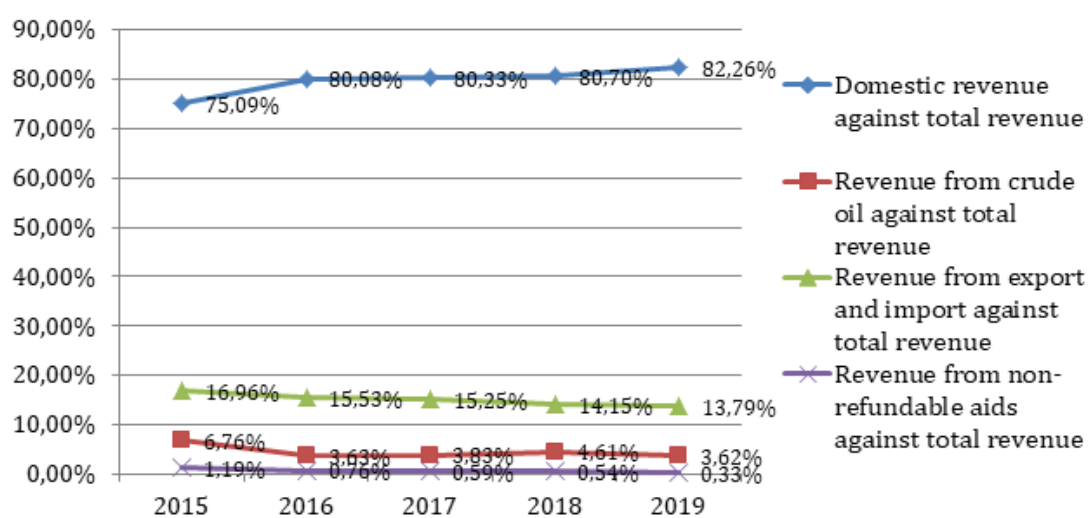


Figure 1: The proportion of State budget revenue by sectors in the period of 2015 - 2019 (%)

Source: Ministry of Finance - Annual State budget settlement data

From the data, the total revenue of State budget analyzed by sector in the period of 2015 - 2019 tends to be increasingly sustainable:

Domestic revenue accounted for a high proportion, overwhelming other sectors in the State budget revenue (from 75% to over 82%), at the same time tending to increase rapidly. In 2015, domestic revenue reached VND 749,560 billion accounting for 75.09% in the revenue of State budget, and in 2019, domestic revenue reached VND 1,277,988 billion equivalent to an increase of 70.5% compared to 2015, accounted for 82.26% of the total State budget.

Revenue from crude oil had a small proportion and tended to decrease in both absolute and relative figures, specifically in 2015, revenue reached VND 67,510 billion, accounting for 6.76% of the revenue of State budget, in 2019 revenue reached VND 56,251 billion, reducing 16.68% compared to 2015, and accounting for 3.62% in the revenue of State budget. Crude oil revenue fell in part due to falling world oil prices, on the other hand due to the Government's efforts to restructure the economy to reduce its dependence on natural resources, including crude oil.

Revenue from import and export activities tended to decrease in relative figures, as Vietnam promoted international economic integration, implemented tariff reduction according to the committed roadmap. In 2015, the balance revenue from import and export activities reached VND 169,303 billion accounting for 16.96% of the total revenue of State budget, in 2019, the revenue reached VND 214,239 billion, equivalent to an increase of 26.54% compared to 2015, and accounting for 13.79%, reducing 3.17% compared to 2015 in total revenue.

Non-refundable aid revenues accounted for a low percentage of the total State budget revenue, accounting for 1.19% of the total revenue in 2015 and 0.33% in 2019.

Secondly, the State budget revenue structure according to economic components includes, revenues from foreign direct investment (FDI) enterprises, revenues from state-owned enterprises (SOEs) and revenues from non-state sectors (NSS), which are revenues mobilized from the internal resources of the economy, revenues from domestic production and business. These revenue sources were not dependent on the external economy or limited in terms of exploitation capacity, so they were determined as sustainable revenue sources of State budget.

Table 2: State budget revenue structure by economic components in the period of 2015 - 2019

Figures in: billion dong

No.	Criteria	2015	2016	2017	2018	2019
	Total State budget Revenue	998,217	1,107,381	1,293,627	1,431,662	1,553,611
1	Revenue from SOEs	227,293	257,320	282,439	153,323	165,055
2	Revenue from FDI enterprises	140,979	162,934	172,166	190,309	212,199
3	Revenue from NSS	129,582	157,082	181,001	209,624	238,228

Source: Ministry of Finance - Annual State budget settlement

The State budget revenue by economic components in the period of 2015 - 2019 is summarized in Table 2:

Revenue from SOEs in 2018 and 2019 tended to decrease sharply both in absolute figures and relative volumes compared to total State budget revenue. Specifically, in 2015, revenue from

SOEs reached VND 227,293 billion, accounting for 22.77% of total State budget revenue, in 2019 revenue reached VND 165,055 billion, equivalent to 72.62% compared to 2015 and accounting for 10.62% of total State budget revenue. Due to the decrease in the number of SOEs in recent years as a result of the equitization process, on the other hand, the operational efficiency of SOEs was not high, so the rate of revenue growth from SOEs was lower than the rate of total budget growth.

Revenue from FDI enterprises in absolute figures had a fast growth rate. Specifically, in 2015, FDI revenue reached VND 140,979 billion, VND 212,199 billion in 2019 equivalent to an increase of 50.52% compared to 2015. Revenue from FDI enterprises increased partly due to the rapid increase of foreign investment in Vietnam in recent years. In addition, tax authorities had strengthened tax inspection and supervision to avoid profit transfer, which also contributed to increasing revenue for State budget. The proportion of FDI revenue to total State budget revenue tended to decrease; in 2015 FDI revenue accounted for 14.12% which decreased to 13.66% in 2019. However, compared to the scale and potential, the revenue from FDI enterprises was still low that needed to be improved.

The non-state economic sector increasingly holds an important position in the economy and contributes revenues to the State budget. In the period of 2015 - 2019, revenue from the non-state sector increased in both absolute numbers and proportions, becoming the sector with the highest proportion. In 2015, revenue from the non-state sector was VND 129,582 billion, accounting for 12.98% of total State budget revenue, VND 238,228 billion in 2019 equivalent to an increase of 83.84% compared to 2015 and accounting for 15.33% of the total revenue. Due to the Government's policies to encourage private economic development, the number of newly established enterprises increased, the operational efficiency of the non-state economic sector also improved. The State applied tax incentives, simplified administrative procedures, improved the business environment, and created favorable conditions for production and business development.

Third, the State budget revenue structure complied with tax regulations.

The global trend was to strengthen the role of VAT and environmental tax, and gradually reduced the CIT rate to increase the attractiveness of the investment environment. Vietnam's tax collection structure also harmonized with the above trend. Specifically, the proportion of CIT in total State budget revenue decreased from 20.04% in 2015 to 17.42% in 2019. VAT on the ratio to total State budget revenue fluctuated between 23% and 25%. Environmental taxes were rising rapidly. In 2015, the revenue from environmental tax was VND 27,020 billion, accounting for 2.71% of the total revenue, VND 63,075 billion in 2019 equivalent to an increase of 133.44% compared to 2015, and accounting for 4.06% of the total revenue, the average rate of increase in environmental tax collection in the period of 2015-2019 was 23.61% (see in Table 3).

PIT and excise tax were highly stable sources of State budget revenue, with expectations to replace the unstable revenues that have been reduced, in the period of 2015 - 2019, the revenue from PIT increased in both absolute and volume. In 2015, PIT revenue was VND 56,723 billion, accounting for 5.68% of total revenue, VND 109,406 billion in 2019 equivalent to an increase of 92.88% compared to 2015 and accounting for 7.04% of total revenue. Excise tax in 2015 was VND 66,653 billion, accounting for 6.68%, VND 106,753 billion in 2019 equivalent to 60.16% compared to 2015 and accounting for 6.87% of total revenue (see in Table 3).

Table 3: State budget revenue structure by taxes in the period of 2015 - 2019

No.	Criteria	Figures in	2015	2016	2017	2018	2019
Total State budget revenue		Billion dong	998,217	1,107,381	1,293,627	1,431,662	1,553,611
1	VAT	Billion dong	251,758	271,604	309,308	344,063	362,691
	Against total revenue	%	25,22	24,53	23,91	24,03	23,35
2	CIT	Billion dong	200,030	188,485	211,358	250,892	270,610
	Against total revenue	%	20,04	17,02	16,34	17,52	17,42
3	PIT	Billion dong	56,723	65,235	78,775	94,364	109,406
	Against total revenue	%	5,68	5,89	6,09	6,59	7,04
4	Excise tax	Billion dong	66,653	86,653	85,086	96,025	106,753
	Against total revenue	%	6,68	7,83	6,58	6,71	6,87
5	Environmental tax	Billion dong	27,020	43,142	44,665	47,050	63,075
	Against total revenue	%	2,71	3,90	3,45	3,29	4,06
6	Housing and land revenues	Billion dong	85,908	123,793	154,568	180,779	193,337
	Against total revenue	%	8,61	11,18	11,95	12,63	12,44

Source: Ministry of Finance - Annual State budget settlement data

1.2. Limitations of the State budget revenue structure towards the sustainability

Firstly, in the State budget revenue structure by sector. The proportion of revenues from import and export activities tended to decrease, but still accounted for a high proportion of State budget revenue in 2019 with 13.79%, leading to difficulties in State budget revenue as Vietnam increasingly liberalized trade at a high level along with reducing tariffs on import and export activities. In domestic revenue, revenues from real estate accounted for a high proportion and tended to increase in 2105 (8.61%), and in 2019 (12.44%) of the total revenue of State budget. Therefore, State budget was at risk when the housing supply decreased or the real estate market was quiet, then the revenue of State budget was not offset by other sources of a regular nature, leading to an increase in the State budget deficit. Moreover, regular budget revenue figures include other revenues, while these were hardly considered regular revenues. In essence, these revenues were sales of properties (mainly land), which was an unsustainable source of revenue.

Second, regarding the structure by economic components, revenues from the non-state sector still accounted for 15.33% of the total State budget revenue in 2019. Due to the characteristics of this economic sector which were largely small and medium-sized enterprises with low competitiveness, so their business performances recovered slowly, on the other hand, their abilities to comply with accounting and invoices regulations were also limited, thus, losses from this area were still considerable. If there were more effective management measures, it would contribute to

increasing revenues, increasing the proportion of non-state sector contributions in total revenue. Revenues from SOEs decreased sharply and the contribution of the FDI sector also tended to decrease (partly due to transfer pricing activities).

Thirdly, the State budget revenue structure by taxes was still not balanced compared to the requirements of a sustainable collection structure, demonstrating the inefficient use of national resources. Specifically, the proportion of personal income tax was too low (accounting for 7.04% of the total revenue in 2019, equivalent to a half of the rate of other countries) while it was considered the revenue that could contribute to improving the lack of State budget revenues in the coming time; the proportion of corporate income tax was quite high (accounting for 17.42% of the total revenue in 2019), creating a tax burden for large enterprises; Excise tax was also a tax that needed to be adjusted to promote budget revenues (accounted for 6.87% of total revenue in 2019).

2. RECOMMENDATIONS

First, private sector development becomes the core of the economy. It is necessary to consistently pursue a growth model based on labor productivity and innovation. The fastest and most effective solution to increase labor productivity is to attract FDI into higher-value industrial and agricultural services, production and agriculture. Link small and medium-sized enterprises in the country with multinational corporations through information exchange, skills improvement and technology transfer. Create a spillover effect, connecting the value chain to create links between foreign enterprises and domestic enterprises, between SOEs and NSEs; between large and medium-sized enterprises, ensuring stable and sustainable economic development.

Second, tax policies should be reviewed and adjusted in the direction of:

Taxes on international trade will gradually decrease; and it is necessary to increase personal income tax to create a stable source of revenue for the State budget. At the same time, value-added tax should be strengthened and combined with excise tax to regulate production - consumption and protection of domestic production.

Strict compliance with tax reform principles such as expanding the tax base, reducing tax rates, ensuring simplicity and feasibility and strengthening tax administration. In addition, it is necessary to reform other taxes such as import and export tax, corporate income tax, value-added tax ... in the direction of gradually reducing incentives and exemptions. The collection policies directly impact the budget revenue and indirectly affect economic growth, and in return, affect State budget revenue. Therefore, when tax policies change, there will be a double impact on the collection structure of taxes, industries, areas and collection sectors.

Tax reform needs to focus on narrowing the distortions of taxes, coupled with expanding the tax base and lowering tax rates. Tax policy must cover all revenue sources, it is necessary to introduce new taxes to manage revenues and improve the role of regulation; reviewing the taxes that are applied to each sector, to ensure fair collection, collect more for groups of industries with many profits but contribute taxes disproportionately; focus on environmental tax, natural resources tax ...

Third, it is recommended to strengthen the management of tax authorities, review and implement business process reforms, shift to transparent information-based tax administration and risk-based tax inspection to ensure compliance. Promote tax collection innovation (e-invoices,

online tax declaration for enterprises, electronic tax payment ...), simplify procedures to save time and create maximized convenience for taxpayers as well as fully focus revenues on State budget. Strengthen the management of tax collection; avoid budget revenue losses; promote tax inspection and supervision focusing on enterprises with high risks of tax frauds, tax avoidance or tax evasion; strengthen specific tax inspection and supervision to detect and promptly handle errors, ensure proper collection of tax; reduce or abandon loss transfer in areas of discouraged investment; apply international standards on preventing and controlling price transfer and revenue erosion.

CONCLUSION

The paper analyzes the status of State budget revenue structure in Vietnam in the period of 2015-2019 according to three criteria: economic sector, economic elements and taxes to show the positive impacts of the State budget revenue structure on the sustainability of State budget revenue, as well as the limitations of the revenue structure towards the sustainability of State budget revenue. Some of the recommendations are: Develop the private sector to become the core of the economy; Review and adjust the tax policy system in accordance with international practices and protect domestic production; Strengthen the management of tax authorities, in order to ensure that the State budget revenues are stable and sustainable in the future.

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FINANCIAL RISK MANAGEMENT IN VIETNAM REAL ESTATE ENTERPRISES

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Abstract: *The article determines the impact of a number of factors on financial risk management for real estate enterprises listed on Hanoi Stock Exchange (HNX) and Ho Chi Minh City Stock Exchange (HSX). The author collects data from the financial statements of 40 real estate enterprises in Vietnam during the period from 2011 to 2020. The results show that the factors of financial distress cost, tax, money ratio and cash equivalents to total assets (CSA), representing external financing source, and firm's age (AGE) are positively correlated with financial risk management.*

Keywords: *Financial risk, financial risk management, small and medium enterprises.*

1. INTRODUCTION

Currently, in the world, there have been many studies on financial risk management within enterprises. These studies have proven that financial risk management has certain positive effects on business performance such as tax savings, ability to raise capital with financial leverage, etc. In Vietnam, there have been a few studies on each type of derivative products such as futures or options contracts for investors' risk management strategies and some studies on financial risk management within enterprises in each specific field. However, there are few studies on financial risk management for real estate businesses in Vietnam. It can be said that real estate is a profitable industry but also a sensitive industry with many potential risks. Its level of risk depends on many factors such as: government's policies, financial policies at industry-and-company-level, etc., especially price fluctuations in the real estate market. Before 2008, the real estate industry developed rapidly and strongly, housing prices consistently increased, which helped most real estate businesses have high operating efficiency, high liquidity assets, and a secure repayment capacity for banks... However, since 2008 (the beginning of the crisis period) Vietnam's economy in particular and the world in general, combining with government's policies to make the real estate market healthy, businesses in the real estate industry face many difficulties: Unable to raise capital, losses, losing liquidity, inability to pay bank debts... even going bankrupt. Faced with that situation, the issue of effective financial risk management not only helps real estate businesses minimize business risks, but also maximizes shareholder value. However, the implementation of financial risk management of real estate enterprises in Vietnam has not been really concerned and depends on many factors. The article provides an analysis of financial risk management and factors affecting financial risk management, thereby recommending solutions to improve this work's efficiency in real estate businesses in Vietnam in the near future.

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2. THEORIES OF FINANCIAL RISK AND FINANCIAL RISK MANAGEMENT

According to Eichhorn (2004) and Ann-Katrin Napp (2011), financial risk can take two different forms. Financial risk due to objective factors depends on changes in financial markets such as interest rates, exchange rates, commodity prices. Financial risk due to subjective factors, in which the financial situation is the source of risks. However, Defan (2005) indicates that: Financial risk includes: Risk in the broad sense and risk in the narrow sense. In a broad sense, financial risk refers to all factors reflected in the financial position of a business. In a narrow sense, financial risk refers to the inability to pay financial liabilities as they come due. In addition, a variety of other authors, including domestic and foreign authors, agree that financial risks are related to the use of capital financing methods in enterprises.

To conclude, financial risk is understood as the risks arising from fluctuations in the external environment and risks arising from the selection and implementation of financial decisions in the enterprise, affecting the profitability and solvency of the business.

Financial risk is a type of risk arising from the proportion of debt in the structure of the enterprise's loan capital and changes in prices, interest rates and foreign exchange rates. This means that when a business uses too much borrowed capital in its capital structure or in the event of changes in prices, exchange rates, and interest rates, it will make the return on equity change larger as the earnings before interest changes. Financial risks include exchange rate risk, interest rate risk, price volatility risk, commercial credit risk, financial leverage risk and liquidity risk.

Financial risk is associated with the activities of the enterprise, so in the selection and implementation of financial decisions, the enterprise must always put its activities in the condition of potential risks. These risk events often appear in financial policies and as a rule, high risk will bring about high rate of return. At that time, businesses will have to research to accept the trade-off of risks for profits, thereby forming methods and measures to manage financial risks of enterprises.

Financial risk management is the determination of the level of financial risk that an enterprise wants, measuring the level of risk that the enterprise may have to bear, thereby using management tools and measures. to adjust the actual level of risk according to the business objectives.

Therefore, financial risk management activities firstly identify potential financial risks, then measure and evaluate the level of risk that the enterprise can accept. On the basis of balancing potential risks with risks that enterprises can accept, enterprises use tools and measures to reduce risks or transfer part of risks to other entities.

For businesses in general and for businesses in the real estate industry in particular, financial risk management maximizes enterprise value through the impact of reducing financial distress cost, facilitating for selected investment projects and the impact of tax reduction for businesses. This is an important basis for the author to propose a research model on a number of factors affecting financial risk management - research on listed real estate companies in order to add more scientific evidence on factors affecting financial risk management as well as helping managers of real estate businesses have a scientific basis to offer solutions to improve the effectiveness of financial risk management, helping them to enhance business value and stabilize for development.

3. RESEARCH METHODS

3.1. Research models

Based on the theory and inheritance from a number of research authors on financial risk management such as: Smith and Stulz (1985), Nance et al (1993), Haushater (2000), Hoa Nguyen (2002), Borokhovich et al (2004), Purnanandam (2008), Bartram et al (2009), Rashid Ameer (2010), Talat Afza (2011), Sprcic and Sevic (2012), Kouser et al (2016), there are 4 main factors affecting the financial risk management of real estate businesses, including: financial distress costs (determined through the use of debt of the enterprise and the size of the enterprise), external financing (determined through the ratio of interest coverage and fixed asset investment expenditures), taxes and the age of the business.

The author chooses a research model which is a Logistic regression model, to assess which factors really affect the financial risk management of real estate enterprises in Vietnam, which have the following form:

$$ERM_{it} = \beta_0 + \beta_1 DEA_{it} + \beta_2 SIZE_{it} + \beta_3 TANGIBLE_{it} + \beta_4 CSA_{it} + \beta_5 TAX_{it} + \beta_6 AGE_{it} + e_{it}$$

Dependent variable: ERM is the notation for financial risk management variable of real estate enterprise *i* at year *t*. ERM represents the dependent variable of the research model of factors affecting financial risk management of real estate enterprises in Vietnam. ERM value is 1 when the enterprise has one of the risks of interest rate, financial leverage, exchange rate risk, risk of commodity price fluctuations, credit risk, liquidity risk from financial statements. Otherwise, the ERM takes the value 0.

Independent variables: DEA, SIZE, EBIR, TAGIBLE, CSA, TAX, AGE.

Table 1: Description of the independent variables

Hypothesis	Meaning	Notation	Calculation
Financial distress cost	The explanatory variable represents the situation of using debt of the enterprise	DEA	Total debt/Total assets
	The enterprises' size	SIZE	Log (Total revenue)
External financing	Loan's interest coverage ratio	EBIR	EBIT ratio/Total interest expense
	Fixed asset investment expenses	TANGIBLE	Ratio of tangible fixed assets/Total assets
	The explanatory variable represents the firm's cash and cash equivalents ratio	CSA	Ratio of cash and cash equivalents/Total assets
Tax	The explanatory variable represents the tax incentives received by the firm during the fiscal year	TAX	The dummy variable of previous period's loss. Equal to 1 if the enterprise reduces tax due to loss transfer, 0 if the business does not reduce tax
Firm's age	Age of business	AGE	Log (year of research – year of establishment + 1)

Source: Author's own compilation

The cost of financial distress is expressed through financial leverage, which is measured as the ratio of total debt to total assets. For large-scale enterprises, the ability to implement risk management is better than for small-sized enterprises. The research results also demonstrate that the benefits of risk management depend on the size of the business. From there, the author develops the research hypothesis:

H1: The variable represents financial distress cost is positively related to the financial risk management of enterprises in the real estate industry.

When enterprises have many opportunities in investment activities, it is necessary to perform more financial risk management activities. However, when businesses face a shortfall in cash flow, businesses will tend to increase their cash holdings by selling assets, cutting dividends, or seeking outside funding to finance investment opportunities by borrowing or issuing equity. In addition, another variable that represents external funding is CSA, which is measured by the ratio of cash and cash equivalents to total assets. From there, the research hypothesis is built:

H2: The variable represents external funding has a positive correlation with financial risk management of real estate enterprises.

To test the tax hypothesis, the author only uses the value of carryover losses, the dummy variable is 1 if the enterprise has the value of the previous period's tax loss carried forward calculated to the end of the fiscal year and has a value of 0 if there is no loss transfer.

H3: Tax is positively related to financial risk management of real estate enterprises.

The age of the enterprise uses logarithms, based on which the research hypothesis is built.

H4: Age is positively correlated with financial risk management of real estate enterprises.

3.2. Research data and research methods

Research data is collected from audited annual financial statements of 40 enterprises in the real estate industry operating in the period from 2011 to 2020. Thus, the study has a total 400 observations (40 businesses * 10 years), amalgamated, processed and designed using Excel software. Therefore, this sample size is considered large enough and statistically significant. With this data, the author uses Stata 15.1 software to perform multivariable Logistic regression and necessary tests. Finally, when the research results are available, the author uses the studied theories combined with objective reality to explain the economic significance of the correlation between the dependent variable and the independent variables to clarify research results.

4. RESEARCH RESULTS

4.1. Multivariable logistic regression analysis

Table 2: Descriptive statistics of variables

Variables	Obs	Mean	Std. Dev.	Min	Max
ERM	400	0.2756182	0.4532567	0	1
DEA	400	0.6225294	0.2574726	0	0.9989256
SIZE	400	14.4727730	0.7846952	12.92801	19.84682
CSA	400	0.1764330	0.2253042	0.0001735	1.239929
TAX	400	0.1826727	0.3782471	0	1
TANGIBLE	400	0.1107982	0.1670753	0	0.9815348
AGE	400	12.4700000	4.5893776	3	25

Source: Author's own compilation of results from Stata

Table 2 AGE has an average value of 12.47 showing that the enterprises in the sample have a relatively high age, the longest being established is 25 years, the lowest is 3 years. DEA has an average value of 62.25%, which shows that the financial potential of businesses in the real estate industry in Vietnam is not good, still using banks as the main channel to access capital, there are enterprises use debt nearly equal to the asset value of 99.89%. SIZE has a mean of 14.47, a minimum of 12.93 and a maximum of 19.85. CSA has an average value of 0.176, indicating that the ratio of cash in businesses is not much, the capital is used to develop the business. CSA has a maximum value of 1.24 and a minimum value of 0.00017. TAX has an average value of 0.18, showing that enterprises operating in Vietnam still do not receive much tax incentives. TANGIBLE shows how much % enterprises invest in fixed assets, this variable has an average value of 0.1107, showing that enterprises studied in the sample period 2011-2020 have not yet paid much attention to investing in fixed assets. Next, when adding variables to the analytical model, the author considers the degree of correlation between variables to avoid multicollinearity, with pairs with correlation coefficient > 0.8 there is multicollinearity if included in the model. The correlation matrix between the variables in the model is shown in Table 3.

Table 3: Correlation analysis

	erm	dea	size	Current	csa	tax	tangible	age
erm	1							
dea	-0.2012	1						
size	-0.3778	0.0954	1					
csa	0.2047	-0.3417	-0.2015	0.3302	1			
tax	0.1312	0.0293	-0.033	0.0204	0.0097	1		
tangible	0.01	-0.1673	0.0519	-0.0442	-0.18	0.0202	1	
age	0.0216	-0.0102	0.0139	-0.0094	0.0236	0.0064	-0.0239	1

Source: Author's own compilation of results from Stata

ERM is positively correlated with variable CSA, TAX preference, and spending on fixed assets TAGIBLE and AGE. There is a negative correlation with the variables of the use of debt DEA and SIZE. ERM has the largest correlation with the SIZE variable with a value of 0.3778 and the smallest correlation with TAGIBLE, at (0.01). With the correlation coefficients of the independent variables all not greater than 0.8, showing that there is no problem of multicollinearity in the model. Logistic regression analysis results are presented in Table 2 and Table 4.

Table 4: Regression analysis of the influence of financial risk management factors

Variables	ERM
DEA	0.0521** (0.211)
SIZE	1.430*** (0.0653)
CSA	0.615*** (0.150)
TAX	0.721*** (0.101)
TANGIBLE	-0.850*** (0.256)
AGE	0.0143* (0.0101)
EBIR	-0.0095 (0.00628)
Constant	34.45*** (1.724)
Number of observations	400
Number of enterprise	40
Standard error in ()	
*** p<0.01, ** p < 0.05, * p< 0.1	

Source: Author's own compilation of results from Stata

Table 4 analyzes the regression results using the estimated Logistic binary model to find out the influence of factors on financial risk management. The research results show that the EBIR variable has no evidence to conclude implications for financial risk management. Therefore, the author removed this variable from the model and performed the model regression again. The results are shown in Table 5.

Table 5. Factors affecting financial risk management

Variables	ERM
DEA	0.0501**
	(0.210)
SIZE	1.434***
	(0.0653)
CSA	0.620***
	(0.149)
TAX	0.726***
	(0.101)
TANGIBLE	-0.855***
	(0.256)
AGE	0.0141*
	(0.0101)
Constant	34.46***
	(1.724)
Number of observation	400
Number of enterprise	40
Standard error in ()	
*** p<0.01, ** p < 0.05, * p< 0.1	

Source: Author's own compilation of results from Stata

Table 5 shows that, DEA (representing explanatory variable for corporate debt use) and SIZE represent financial distress costs, CSA, TAX, AGE are positively correlated with financial risk management. Besides, TAGIBLE is negatively correlated with financial risk management.

4.2. Discussing research results

DEA is positively correlated with financial risk management at the 5% significance level. This result is also consistent with hypothesis H1. The more leverage a business has, the more risk it can take. Therefore, businesses will have the need to use financial risk management to reduce risks for businesses.

SIZE is positively correlated with financial risk management at 1% significance level, this result is also consistent with hypothesis H1. This shows that small-scale enterprises with low technological progress are less likely to use financial risk management.

CSA is also positively correlated with financial risk management at the 1% significance level. This result shows that, once enterprises have available cash flow, they will have high liquidity to

reduce agency costs and financial distress, from which they will use their cash flow for prevention purposes to minimize financial risk.

TAX has a positive correlation with financial risk management at the 1% significance level, the results are consistent with hypothesis H3. In theory, hedging could lead to a reduction in the amount of tax payable when a business is subject to a progressive tax system and/or subject to probable tax deductions or to offset losses in future accounting periods. This is because hedging creates stability with higher performance and consequently reduces the amount of tax payable.

TAGIBLE is negatively correlated with financial risk management at the 1% significance level. The research results are not consistent with the research hypothesis of the author. The result shows that when an enterprise has a large percentage of tangible assets, that is, the guarantee ratio in the process of borrowing capital from credit institutions is still effective, those businesses have not yet paid attention to financial risk management.

AGE is also positively correlated with financial risk management, but the research results do not have enough evidence to conclude. It can be seen that the older businesses are, the more they realize the importance of financial risk management, so they are ready to meet preventive tools to reduce risks for their businesses.

5. POLICY IMPLICATIONS AND CONCLUSION

The real estate industry is a highly leveraged industry, so financial risk management in real estate businesses needs to be concerned, thoroughly understood and communicated to relevant departments and individuals in the enterprise. Enterprises need to monitor, investigate and strictly implement at all specific stages from risk identification, measurement and control. Raise awareness of financial risk management board. Most of the time, the board of directors usually only conceives that the enterprise is facing some financial risks, but very meagre, and at the same time does not specify the level of impact of that risk on their business as well as specific solutions to prevent and limit risks.

Real estate businesses need to improve their solvency to create confidence for investors and credit institutions. Therefore, businesses need a reasonable short-term asset management mechanism. Secure a certain amount of cash to pay off near-due loans. Even undue debts, enterprises also need to prevent the risk that creditors need quick repayment, so businesses also need to reserve cash for payment. Specifically:

- Reserves of highly liquid securities that can be converted into cash quickly when short-term debt needs to be paid off.

- The identification of receivables is the top criterion of real estate businesses. In order to collect receivables as well as recover d effectively, it requires coordination from departments and faculties, specifically the accounting department, the accounting department must have the support from sales department, customer service department, even the board of directors. Encourage customers to pay through a payment discount policy.

The State Bank of Vietnam is maintaining a stable interest rate policy with an adjusted margin. However, the stated commitment margin is only a directional problem, in reality, it can be flexibly

adjusted because the management of the exchange rate policy depends on many market issues, not always as the wishes of the macro-management agencies. Therefore, commercial banks need to develop appropriate credit programs specifically for real estate businesses, which will create attractiveness for businesses, contributing to building close relationships between banks and businesses. There should be clear and complete financial and monetary policies, but they should not be tightened to make it difficult for investors and businesses to participate in the real estate market.

Implications for tax incentives, businesses in the real estate industry can take advantage of the tax incentives that the government has recently issued such as the policy of extending tax payment, land rent, exemption and reduction of registration fees, etc. to help businesses have cash flow to maintain production and business.

By analyzing the theoretical basis as well as using multivariable Logistic regression model, the article has shown the impact of some factors on financial risk management in real estate enterprises. With this research result, this is a scientific basis for managers in the real estate industry to choose the right solutions for their business or industry to limit financial risks, in order to help enterprises develop in the context of economic changes.

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IMPROVING THE MANAGEMENT OF STATE BUDGET EXPENDITURE THROUGH THE STATE TREASURY OF VIENTIANE PROVINCE, LAO PEOPLE'S DEMOCRATIC REPUBLIC

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Abstract: *The effective management of state budget expenditure (SBEM) has made significant contributions to development of social-economical aspects of Laos over the past years. It has contributed to increase the production as well as the consumption in different economic sectors, exploiting the potential competence of the cities and provinces, boosting production and service, providing jobs, ensuring justice in social security, and, maintaining political and social stability throughout the countries. The Law on State Budget provides a quite comprehensive legal framework for budgeting and management of public expenditure. National Assembly is now highly involved in the task of estimating budget as well as budget allocation to the provinces and provincial-level cities. In addition, the provincial People's Council has been given the authority to determine the allocation of revenues and expenditure to each government level within the province, and to district and village-level governments. Vientiane province is assessing the effectiveness of budget expenditure management and its role in the public sector. Hence, this paper aims to provide Vientiane province with solutions based on systematic research and analysis, which, to improve the effectiveness of the province's budget expenditure management. The research has been both secondary and primary. The main findings is need to improve the effectiveness of budget expenditure management of Vientiane Province. One of the conclusions suggests that effective management of socio-economic development is an indispensable activity to improve the transparency and accountability of effective budget expenditure management*

Keywords: *Budget expenditure, completing state budget, state budget expenditure management.*

1. INTRODUCTION

The state budget (government budget) is an annual financial statement presenting the government's financial budgeting for a fiscal year. It is passed through the legislature, approved by the chief executive or president and then presented to the Congress by the Minister of financial department. The state budget is also known as the Annual Financial Statement of the country. This document anticipates the government revenues and expenditures for a financial year.

State budget expenditure (SBE) is the process of redistributing financial resources in the state budget to ensure the performance of state functions in accordance with certain principles. Thus, SBE are specific tasks that are not limited to simply setting orientations for state activities, however the budget must be allocated to each objective, activity and task of the state (Le Chi Mai, 2011, p87) .

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In many countries in the world, the local agency that takes responsibilities for managing SBE is the Provincial State Treasury (PST). Each PST has certain roles and undertakes specific responsibilities to contribute to efficiency of state budget management. However, all of them have one thing in common, that is, the State Treasury of provinces are the units that help the government to manage the state budget in the provincial or local scale. All these provincial units have significant contributions to the effective management of state budget, specifically revenues and expenditures. The purpose is to help public sectors to operate effectively; and ensure transparency of the economy and efficiency in the process of budget allocation, management and the use of government resources (Vuong, 2009).

In Lao People's Democratic Republic (hereby Laos), the state budget plays an important role in the whole economy, society, security, national defense and foreign affairs of the country. Regarding to managing the market economy, the state budget is a macro-economic adjustment tool, setting orientation for national production, regulating the market, stabilizing prices and changing social life. In the recent years, Laos has paid deliberate attention to the importance of State budget expenditure (SBE), especially Laos redistributes financial resources of state budget and to bring them to use to implement national objectives.

Vientiane is a semi - mountainous province in the northwest of Laos; Vientiane has an underdeveloped economy. The economic and social activities of the province mainly depend on the allocated budget from the government. The province has made great efforts to overcome all difficulties and obtained significant socio - economic achievements over the past years. Now, Vientiane is growing up day by day.

After implementing the State Budget Law for more than 10 years, the state budget balance has been increasingly stable with a continuous increase in revenue. The national budget is sufficient and solid enough not only to cover the basic expenditures for management activities, economic development, socio-cultural affairs, defense and security, but also to make investments in variety of other projects as well as to support the development of the country. Yet, its state budget expenditure management (SBEM) remains somewhat limited with many shortcomings, for example, the process of allocating state financial resources lacks of selectivity, short listing and priority for SBEM outputs; state treasury controls SBE is not tight; especially, managing recurrent expenditure and allocation to development investment in socio - economic development is not well. Therefore, in order to improve the efficiency of SBEM in Vientiane province, it is necessary to focus on the systematic development of management factors to ensure the efficiency and effectiveness of the provision of public goods and services. Therefore, each province is required to make further adjustments and improvements to SBEM to overcome the above - mentioned shortcomings in order to stabilize and support the local socio-economic development in particular and that of the country's development in general. Similar to other provinces, these shortcomings mentioned above are the facing issues of state treasury province that has drawn attention of both local authorities and researchers in Vientiane. This study discusses the SBEM in Vientiane Province of Laos as the case study. The research is largely based upon published literatures and also data collected from the interviews to support the analysis, thus to come up with research findings and solutions.

2. LITERATURE REVIEW AND PREVIOUS RESEARCH STUDIES

State budget expenditure has become the discussed subject of many scientists. It's often associate with the development of the economy and the development of state power. Along with that development, it requires a consistent and comprehensive reason for the effectiveness of state budget expenditure management. State budget spending plays a very important role in stabilization and growth of economy as well as addressing social issues. However, it also poses many problems if the state budget expenditure management is not good, overspending will make budget deficit, resulting in economic and social instability. At present, there is a lot of research on state budget expenditure management.

When studying the evolution of the state budget theories over the past period, suchas the budget for the item, the budget for the work done, the budget for the program, budget method based on outputs, Matin, Lawrence, and Kettner (1996) have compared and pointed to the evolution of these budgetary theories in their study about measuring the performance of human service progams and budget management according to outputs. The output-based budget answers the question that public finance managers must always put in place: "How should you decide to allocate X dollars for activity A instead of activity B?" Therefore, the output-based budget approach is being studied for widespread use in current state budget spending management.

The research "Finalization of state budget expenditure mechanism for public goods supply in Vietnam" has systematized and clarified the theory of public goods; the role of the State in the provision of public goods and the mode of supply; the inevitability of using state budget spending tools to provide public goods; system of state budget expenditure management mechanism for the provision of public goods. The study also presents the general situation of state budget spending and the mechanism for managing public expenditure in the process of economic transition in Vietnam in recent years. This is an important practical basis for proposing solutions to improve the state budget spending management mechanism for the provision of public goods (Nguyen Ngoc Hai, 2008).

Studying on management of state budget expenditure to promote the socioeconomic development in a specific province, Thongvon **Lư**ong Phimma (2016) presented the general situation of budget expenditure management to promote the socio-economic development of Huaphan province (Laos) about the system of mechanisms and policies related to budget management in the fields of socio-economic infrastructure improvement; social balance. From that, the research draws on the achievements and difficulties associated with the management of state budget expenditure in Huaphan province in recent years. Through out studying the state budget expenditure management experience in OECD countries, the author draws on five lessons that can be applied to improve the effectiveness of state budget expenditure management in current conditions in Laos in general and Huaphan province in particular. The author also proposed six solutions to improve the management of local budget spending. Specifically, the solution applies the budgeting process based on the medium-term and output-based cost framework.

At the same time, the reports also analyzed the control and effectiveness of state budget spending, highlighting shortcomings in state budget control and management, particularly the emphasis on "state budget expenditur is more difficult to control, overspending, corruption and

loss still occur in practice". However, within certain limits of a report at a scientific conference, the reports only discussed to addressing the general theoretical and practical issues of Laos, not yet pointed out the case studies at the localities.

3. RESEARCH METHODOLOGY

- The research method used for this paper is qualitative research. The applied theoretical framework comes from relevant research literature, which is relevant to empirical data in public sectors. Besides, SBEM evaluation is also discussed with the use of socio-economic reports in Vientiane province.

- Research instruments. The research is carried out in two stages. Stage 1, identifies the relevant literatures on SBEM. Stage 2, studies SBEM using qualitative analysis of the collected data from the documents and reports. In addition, a qualitative research approach focuses on in-depth interviews with the selected interviewee (*managers*) to study the financial management practices that affect SBEM. It is believed that the research design can help to collect the data needed to answer the research questions and to come up with relevant solutions, conclusions. With these stages, it allows a deeper understanding of the current context of SBEM with particular emphasis on managing coordination. In-depth interview approach will be adopted with 218 people who are experts working in Financial Department, State Treasury of Vientiane province and Provincial state budget – using units to gain understanding of the core issues that help to come up with solutions and recommendations on "*How to improve the effectiveness of SBEM*". The selection of questionnaire approach is considered the most appropriate approach as it allows respondents to respond in an open manner that allows the author to easily interpret the views and opinions of different participants on the same issues. The questionnaire was designed according to the Likert scale format to elicit the degree the agreement of the interviewee. The Likert scale scores 1, 2, 3, 4 and 5 refer to strongly disagree, disagree, neutral, agree and strongly agree respectively, regarding the associated questionnaire statement.

4. RESEARCH RESULTS

4.1. The state budget expenditure management in vientiane province

4.1.1. Reality of the state budget expenditure management in Vientiane province

4.1.1.1. Reality of recurrent expenditure management

a. Recurrent expenditure estimates management of the budget

Regular state budget allocations to state budget beneficiaries in Vientiane province are made according to government regulations. However, the reality in Vientiane, SBEM method according to application output is not popular. This management method is closely linked to a market economy, only in developed countries and can only be applied in countries with high management level, full information and transparency, along with technical support facilities and a synchronized policy system. A new approach to managing budget expenditure is of particular interest to some countries in the world: fiscal management within MTEF, this method can be said to have many advantages; it is considered as a sliding plan, rolling plan for many years (*From three to five years*). After

each year based on the macroeconomic forecast changes, adjusted the plan for the next year, add another year, therefore, there is always a medium-term plan, and always updated to suit the reality.

b. Managing recurrent expenditure budget implementation

Implementing recurrent expenditure estimates of the budget at this stage in Vientiane is managed according to the budget cycle which also known as annual budget expenditure management. Include the stages: Allocating recurrent expenditure; recurrent expenditure control; adjusting recurrent expenditure estimates. Managing implementation of the recurrent expenditure estimates shall be carried out according to spending contents, associated with the functions and duties of the beneficiary budget. In the implementation process, units may adjust contents and groups of expenditure items in the expenditure estimates assigned by competent authorities to suit the actual situation of their units, beside, to send to the superior managing agency and the State Treasury where the unit opens its account for monitoring, management, payment and settlement

Managing recurrent expenditure estimates and budget implementation in the past 5 years of Vientiane province is shown in figure 1 as follows.

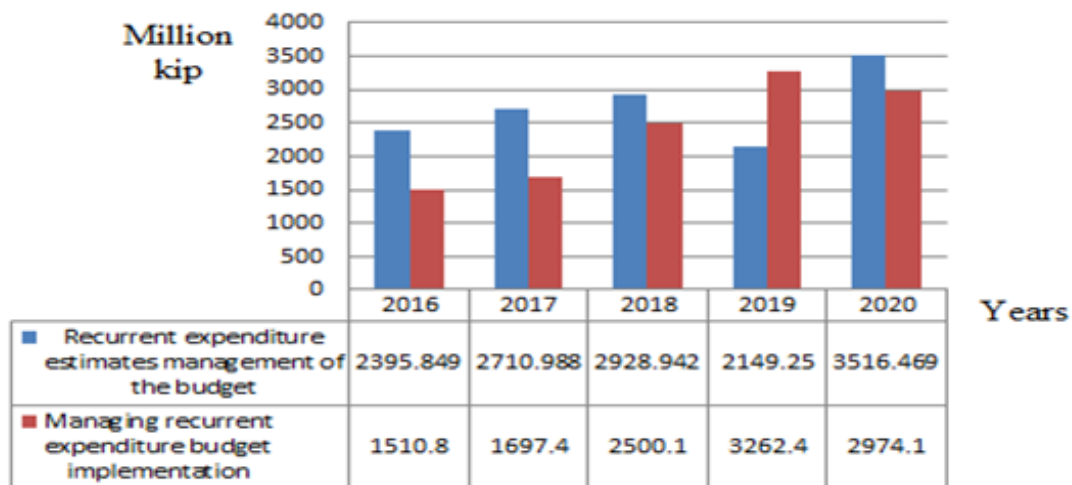


Figure 1. Managing recurrent expenditure estimates and budget implementation

(Source, Vientiane Finance Department, Vientiane Provincial [4], [5])

c. Managing recurrent expenditures settlement

Managing recurrent expenditure settlement includes two processes: Organizing the final settlement report and approving the recurrent expenditure settlement. State budget settlements at all levels in Vientiane province have been strengthened; budget revenue and expenditure are reflected in the budget through the state treasury. The provincial People's Council, ensuring time and quality as stipulated by the budget law, approves Vientiane annual budget statement. Comparison of the implementing recurrent expenditure with the state budget allocated at the beginning of the year shows that, most of expenditures in the field of implementation increased compared with the estimate. This generally shows that the forecasting is not accurate. Almost every year, it is not only the number of expenditures but the revenue also increases than expected, budget revenue in the period 2016 - 2020 increased on average more than expected.

4.1.1.2. Reality of investment and development expenditure management

a. Management of allocation of investment capital from the state budget of Vientiane province

Over the past years, capital construction investment in the area has been constantly increasing, the issue of speeding up the implementation and disbursement becomes an urgent requirement. The province has concentrated on directing the drastic implementation with many solutions, focusing on regularly organizing the progress of the meeting, on-site briefings, timely detecting and dealing with difficulties and problems, especially land issues, land clearance, procedures and documents; at the same time, intensify the inspection and urge for investors and strictly implement regulations on transfer of capital for delayed works and projects. However, in the process of controlling the payment of capital construction investment capital, there are still many inadequacies. Due to the change in capital management mechanism, many investors do not have time to get familiar such change

b. Management of development investment expenditure settlement

Provincial budget capital includes concentrated capital construction and non-business capital. In addition, a large amount of capital of central ministries and branches is invested in a number of projects in the area, including large infrastructure projects and works of central administrative and non-business agencies. One characteristic of state budget funding in Vientiane province is the relatively large Central State subsidy, accounting for over 60% of total state budget capital. One of the main sources of support from the central budget for the province is the targeted support program, including national target programs, such as poverty reduction, water and sanitation, education and training, etc. This is a great support to economic development and solves social problems, contributing to poverty reduction for Vientiane province. Every year, from October to December, the Department of Finance and the Department of Planning and Investment review progress of implementation and investment targets of projects in the year to adjust the investment plan.

The annual settlement of investment capital and the settlement of investment capital upon the completion of the project shall comply with the guidance of the Ministry of Finance on the regime of investment capital settlement. PPC, Finance Departments and State Treasuries periodically or extraordinarily inspect investors and contractors participating in projects on the use of advance capital, payment for completed volumes and the observance of the State's developing investment finance policies and regimes.

In final settlement process of capital construction investment, these agencies perform their functions and tasks to manage the effective use of capital. The capital investment is multiple processes, but a few first an unknown the final solution of the project, quality of the low reports reports, must be modified to many times. Multiple project for complete to use many years to determine the accounting or not perform the first capital. Through investing settlement in the period 2016 - 2020 in Vientiane shows that some investors have not timely and drastically directed the Project Management Board and contractors to speed up the construction, disbursement, advance payment and settlement. Not only the management of contractors in the process of construction is not tight enough but also the personnel, equipment and finance are not in line with the bids and signed contracts. State regime and wage policy have fluctuations that lead to many adjustments and additions.

4.2. Controlling the SBE through Vientiane provincial state treasury

The State Treasury inspects and controls SBE on the principle that all expenditures, which must be included in the State budget estimates, are assigned in strict accordance with the prescribed regimes, criteria and norms set by competent authorities and used by the heads of the budget units or the person authorized to make the decision. The payment of SBE through the State Treasury must be made directly from the State Treasury for salaried employees, social allowances and suppliers of goods and services. In the course of control, payment and settlement of expenditures, wrong expenses must be recovered, reduced or paid into the budget.

In the control and payment of recurrent expenditures in the province, Vientiane State Treasury has made the payment when the following conditions are met: Expenses already included in the assigned SBE estimates; correct the regimes, criteria and norms set by competent state agencies. It has been decided by the head of the budget-using unit or the authorized person; having full dossiers and payment vouchers as prescribed.

In summary, controlling expenses for recurrent state budget and development and investment of Vientiane provincial state treasury has the following advantages and disadvantages: *Advantages:* In general, state budget law, regulations on management of investment capital and construction as well as the documents related to the field of management of investment capital have been continuously improved, creating conditions for the control of spending through the State Treasury to promote positive effects. The province's state treasury apparatus has made great efforts in fulfilling its mandate. *Disadvantages:* Although SBEM has been implemented according to state budget law, the policy mechanism has been modified to suit the reality. However, the system of policy mechanism has not been synchronized so far; there is a lack of coordination mechanism, the scope and level of control between the State Treasury and functional agencies has not been clearly defined as well as accountability, and specific sanctions to run the budget according to estimates. The method of managing and withdrawing capital has not been agreed on a focal point, some expenditures actually paid from the budget are still beyond the control of the State Treasury.

Research findings and interviewing

Selecting, deciding the list and priority order of outputs in SBEM. Fifteen persons were asked about the role of recurrent expenditure and development and investment expenditure in the socio-economic development of Vientiane, Fifteen persons argued that, they are very important. Because, recurrent expenditure is to ensure the expenditure needs associated with the performance of the functions of the state legislative, executive and judicial or public service functions. Development and investment expenditure aims to stabilize macro growth and promote socio-economic development.

The state controlled SBE through the state treasury. Fifteen people were asked about the role of the State controls SBE through the state treasury: Fifteen people said that: The state treasury plays an important role in managing budget expenditures. Because the state treasury is the last control station assigned by the state to control before the state capital leaves the state budget. This is an important task because the state treasury manages the limit accounts of the budgeting units and the State Treasury is the agency that directly allocates and pays all SBE. In addition, the state treasury also checks and controls accounting elements, ensuring the implementation of the state

budget index; to check the seal and signature of the person making the expenditure decision, the chief accountant, ensuring that it matches the seal and signature already registered at the State Treasury. The control of budget expenditures of the state treasury is carried out in three steps: control before expenditure, control during expenditure and control after expenditure.

4.3. The solutions system for improving efficiency of state budget expenditure management in vientiane

4.3.1. Viewpoints, objectives of completing the management of state budget expenditure in Vientiane province

4.3.1.1. Viewpoints: Accordingly, the orientation to complete budget management in Vientiane province should focus on the following issues: (i). State budget expenditure management must ensure high socio-economic efficiency in the use of state budget; (ii). The completion of local budget expenditure management must take reference basis as theory management of budget expenditure in accordance with international standards and in accordance with the reality of Laos in general Vientiane in particular (Resolution of Vientiane Provincial People's Council), (Vientiane People's Committee (2020)) .

4.3. 1.2. Objectives:

The basic objective of improving the state budget expenditure management in the province of Vientiane in the coming time is to overcome current shortcomings and step towards the management of financial resources in accordance with modern standards. State budget expenditure management must first and foremost establish and maintain close fiscal discipline. To do so, there is a fundamental need to reform the analytical work, forecasting total resources for the public sector. On the basis of the total resource constraint, expenditure management must control total demand within the allowed resources.

State budget expenditure management must be directed towards local socioeconomic development objectives. While prioritizing key areas for economic development in each period, state budget expenditure management should be based on the goal of socio-economic development. particular (Resolution of Vientiane Provincial People's Council), (Vientiane People's Committee (2020)) [2], [6].

4.3.2. The solutions improve efficiency of state budget expenditure management in Vientiane province

4.3.2.1. Completing the system of norms of allocation and use of state budget

In order to serve the stabilization period, it is necessary to build, supplement and complete the system of allocation norms to suit the current state of the economy as well as the new policies of the State. In particular: Revise the current system of norms of allocation and use of the state budget, abolish the outdated regimes issued by the province which are out of line with reality and to promulgate new financial norms and regime within authorized jurisdiction; Set up a system of new allocation norms, ensuring budget expenditure for the performance of tasks of socio-economic development, national defense and security in the locality. In building new norms, it must meet the requirements of covering all spending tasks, suitable to the reality in each period. The amendment, supplement of norms, standards and regimes in the following areas shall be in the direction of: limiting the number of fixed norms, increasing the number of norms frameworks and ceilings for ministries, sectors and localities to apply flexibly to be in line with the method of estimating the

budget and allocating the budget by the output. The system of norms to be issued must be based on the capacity of budget revenue and the development of the economy. Regarding to the criteria for allocation of administrative expenditure, the province has selected the payroll of public servants as the criteria for allocation, which is relatively suitable in present conditions, but for units with the high coefficient of wages, the province should supplement the allocation criteria based on the workload and the population in the area, in addition to the specific tasks in each region and region, to limit the average in the process of building norms. These norms are highly synthesized, linked to specific socio-economic conditions of each locality. This standard norm system will be the basis for moving from the budget estimates by input to the budget estimates by output.

4.3.2.2. Completing the decentralization of state budget expenditure at district and village levels

Continue to complete the decentralization mechanism to minimize overlap, repetition and enhance the autonomy of local authorities at all levels in state budget expenditure management. Re-adjust the expenditure hierarchy, overcome the overlap between local government levels. At present, the decentralization of expenditure tasks is managed by both levels and sectors. As a result, for each task, almost all of the three levels are involved, management expenditure takes up most of the budget allocated to the sector. To adjust the investment decentralization associated with the decentralization of expenditures on culture, education and medical care.

Regarding to enhancing the autonomy of local authorities at all levels in state budget expenditure management decentralization in the locality. In order to increase the autonomy of the local authorities in the decentralization of budgetary management, it is necessary to improve not only the contents of budget decentralization, but also to increase the autonomy of localities in investment planning in accordance with the actual needs of each area by the following basic measures: In the approval of investment plans of provincial governments for the local level, for works in districts and communes, it is necessary to consider the necessity of each project, the demand for use according to cultural and geographical characteristics of the area to ensure the effectiveness of the works. Increasing the autonomy in budget expenditure management decentralization at district level by decentralizing annual investment expenditures to the district level for the overall transfer of all investment capital in the year.

4.3.2.3. Completing financial mechanisms for public administration and public service agencies

The following measures should be taken: Amend and supplement the regulations on expenditure package in a more concise, open and reasonable manner for State agencies in implementing the regime of payroll autonomy which may take the initiative in deciding the recruitment of public servants in accordance with the regulations, take the initiative in using the payroll and budget in the most reasonable manner in order to well fulfill the assigned tasks and promote the rearrangement and reorganization of the concise apparatus according to working positions. Practice thrift against wastefulness, raise labor effectiveness and efficiency in using funds, thus contributing to raising public employees' incomes from the savings.

To assign the heads to decide on the contents of expenditure, without any limitation on the level of additional expenses for cadres and civil servants; Unused funds can be set aside to set up the reserve fund to stabilize the income, reward and welfare of the unit. At the same time, the heads

of the units are allowed to set higher or lower levels of expenditure than those prescribed by the State for expenditure items not yet prescribed by the State, the heads of the units are entitled to set the levels of appropriate spending to ensure the completion of professional tasks and on the basis of budget autonomy.

Strengthen the implementation of the administrative reform program, reviewing the rearrangement of the state management apparatus towards streamlining, reduction of focal points and intermediary stages in order to raise management effectiveness and facilitate the implementation of package.

The provincial People's Committee needs to consider the increase the norms of administrative expenditure for units with small number of staff to meet the demand for expenditures and to reduce difficulties for these budget spenders.

Accordingly, based on the level of self financing for investment and recurrent expenditures, public service delivery units are classified into four categories: (i) public service delivery units self-financing recurrent and investment expenditures. (ii) public service delivery units self financing recurrent expenditures, (iii) public service delivery units self-financing a part of recurrent expenditure, (iv) public service delivery units financed by the State on recurrent expenditures. The autonomy of the units in the performance of their tasks, the organization of the staff and the finance are regulated correspondingly to each type of public service delivery unit, The higher is the self-financing level of the units, the higher the level of autonomy assigned to them to increase revenues, reduce subsidies from the state budget, including the salary subsidies increase to gradually switch to the units self-financing recurrent expenditures, units self financing recurrent expenditures and investment expenditures.

4.3.2.4. Renovating and improving the efficiency of investment capital management in the locality

The province should focus on implementing some solutions as follows:

(i). Annual capital construction investment plans must strictly comply with the State regulations on investment and construction management.

Procedures for arranging lists of investment projects, planning projects, preparation for implementation and investment execution must strictly comply with the conditions for capital registration

(ii). Inspecting the efficiency of investment in the area, especially the assessment of the construction of socio-economic programs. Eliminating or reducing the scale of activities, changing the priority order, or reducing the objectives to achieve the highest efficiency, and at the same time associated with the economic development objectives in the area.

In order to implement this solution, we must establish the priority order associated with the outputs and activities to reduce the budget estimates in accordance with of the budget ceiling. By reducing the number of execution activities; Reduce the amount of input for activities, or find alternatives in limited budgetary terms; Remove low priority activities; Look for alternatives to carry out activities by attracting funds, the private economic sectors involved in public service

provision not necessarily from the state budget, attached to the direction of the State in the implementation of public investment restructuring.

(iii). Reform of administrative procedures and application of information technology in the management of investment capital in the area

Accelerate the speed of administrative reform in investment procedures, promulgate and implement and closely supervise the settlement process of specialized agencies under the People's Committees at all levels in the evaluation of technical economics report, appraisal of construction drawing design, bidding, and appointment of contractor, payment and settlement control. Implement the pilot application of "one-stop mechanism" at DPI by applying information technology at a one-stop shop, investing in DPI's website to serve the registration of Administrative procedures through the Internet system, public information and guidance on handling administrative procedures, etc.

(iv). Accelerate the progress of land clearance, improve the quality of management during the implementation of investment projects from the state budget

4.3.2.5. Group of other solution

a. Continue to implement the Public Finance Reform Project of the Ministry of Finance and improve the budget management quality of the Finance and State Treasury in the locality.

Improve the quality of budget management of finance agencies and State Treasury in the area

Promote the application of information technology in budget management

b. Strengthen the financial inspection and financial publicity at all levels

Financial publicity is a means to promote the mastery of State officials and employees, the workers and the people in exercising the right to inspect and supervise each other in the management process and use of state capital and assets

4.3.3 Recommend the conditions for implementing the solution

4.3.3.1. The Laos Government and the Ministry of Finance of Laos

Firstly, the Government should study and revise the State Budget Law in the direction of further strengthening the decentralization of revenues - tasks spent on local governments, to ensure synchronism with the decentralization of State administrative management between branches and territories. Studying and amending the regulations on tasks and powers of People's Councils at all levels in an active.

Secondly, the research on innovating the method of estimating the state budget according to the current input into the state budget estimates according to the output. Managing the state budget by output will be a tool for the State to concentrate public resources for activities that bring the highest benefit to the society, helping improve public financial policy and contribute to improve the efficiency of SBEM.

Thirdly, soon promulgation mechanism incentives for localities that contribute large state budget revenue to the central budget or specific localities, etc. The Government shall formulate budget norms for budget expenditures with different coefficients to suit the characteristics and budget capability of

each level of government; consistent with the geographical characteristics and conditions of each region. Based on the system of standards and norms, it allows the units and units to make adjustments in the course of implementation and suit the work requirements and budget of the units.

4.3.3.2. Recommend the People's Council and People's Committee of Vientiane

Firstly, the provincial People's Committee soon petitioned the central government to promulgate a number of specific mechanisms and policies for Vientiane province to invest more in production, aiming to become a centrally run province in 2030.

Secondly, continuing to decentralize the tasks of the subordinate budget, particularly, the decentralization of investment decision-making authority and the management of investment capital from the state budget to the district level are strengthened to enhance the initiative, creativity and the responsibility of the local government.

Thirdly, the provincial People's Committee shall review and submit to the provincial People's Council for amendment or replacement the documents promulgated on the decentralization and management of provincial capital construction investment capital already issued are no longer in line with the current regulations.

Fourthly, the provincial People's Committee needs to study adjustment of compensation unit for site clearance to suit the actual conditions, avoid damages to the citizen; they must also implement the policies and unit prices for land clearance and compensation in order to speed up the investment in infrastructure construction in the area.

Fifthly, the provincial People's Committee should be more determined in allocating capital construction investment, priority should be given to allocating funds for final disposal of completed and put into use works.

5. CONCLUSIONS

The nature of this study was to understand how SBEM plays an important role in the state budget management. With results are studied and analyzed, evaluated through the situation of SBEM in Vientiane during period 2016 - 2020. This understanding would allow our to have solutions to improve and enhance the effectiveness of SBEM in Vientiane in the coming periods.

The results from the assessment of the reality of SBEM in Vientiane Province has proposed a number of solutions. They include selection, short listing and prioritizing of SBEM outputs; perfection of management of recurrent expenditures and allocation to development investment in socio-economic development; perfection of the system of allocation norms and SBE norms; strengthening the machinery; capacity building for state-budget management staff; improving the quality of SBE control by the State Treasury; and, strengthening control and inspection of SBEM in the public sector. These solutions will help Vientiane to implement SBEM effectively and socio-economic development in the coming years. Also has provided some recommendations to the Central Government, the Ministry of Finance, the Provincial People's Council and the Provincial People's Committee. These recommendations are for further completion of the mechanism for decentralization of expenditure tasks, issuance of standards and norms of budget expenditure in line with the local characteristics.

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SOME SOLUTIONS TO PROMOTE E-INVOICE MANAGEMENT FOR BUSINESSES IN VIETNAM

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Abstract: *Manage e-invoices to meet the demand for invoices along with the development of e-commerce. In order to limit human intervention in issuing invoices, the electronic invoice system will automatically generate invoices that match the actual events. To gradually modernize the management of e-invoices when selling goods and providing services, contributing to the development of new policies and mechanisms guiding the management and use of e-invoices in the current context in a declaration, transparency, and efficiency manner, the Tax Authority should consider tax reform programs and amend tax regulations in order to improve the legal basis for the management of e-invoices, enhance legal procedures of taxpayers to create a fair and healthy business environment among enterprises, improve the effectiveness of tax collection management and create favorable conditions for revenue management modernization, and promote the reform of tax administrative procedures in the direction of simplicity, clarity and transparency, which create favorable conditions for taxpayers and help to improve tax compliance.*

Keywords: *e-invoices, the tax authority's code, invoice management*

1. INTRODUCTION

Invoice management is one of the important contents of tax management. E-invoices were born and gradually developed strongly in many countries to replace traditional paper invoices, and they are considered an important component of e-commerce. The demand for e-invoices in the e-commerce environment is high, requiring speed and accuracy. Unlike traditional paper invoices, which are issued manually, e-invoices can help to prevent forgeries and non-invoicing. On the one hand, an electronic invoice system can issue large quantities of invoices in a short period of time to meet the needs of e-payment in e-commerce, and on the other hand, it can eliminate human intervention in the invoicing process, so that the situation of non-invoices and fake invoices can be solved.

Both tax authorities and taxpayers will benefit from the transformation of management methods and the use of e-invoices. This is a solution to improve community benefits in businesses, which is in line with the inevitable development trend of today's e-commerce development. With the emergence of the values and benefits from e-invoices, the successful implementation of e-invoice deployment is a prerequisite for tax authorities to perform well in the task of collecting state budget. When e-invoices are used throughout the territory, along with investments in technology infrastructure, invoice data at business units will be transmitted directly to the tax authority's

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system in real-time. As a result, businesses cannot cheat or evade taxes, improving tax compliance and lowering the risk of tax evasion. Consequently, solutions for effectively managing e-invoices and meeting tax management requirements are required.

2. RESEARCH METHOD

The author conducts qualitative research using the collected documents and methods such as theoretical analysis and synthesis and experience summary analysis. From the standpoint of dialectical materialism, the author employs deduction to speculate on unavoidable consequences, comparison to make intermediate judgments, induction to draw conclusions, and synthesis to propose ideas, recommendations, and solutions. The article basically collects primary and secondary data from books and newspapers, as well as the final report of the General Department of Taxation, scientific studies, and Internet-searched documents.

3. LEGAL REGULATIONS ON E-INVOICES

Decree No. 51/2010/ND-CP of May 14, 2010 provides for sale invoices of goods and services with the basic content of issuing and using paper invoices, but there are regulations on e-invoices in Article 7 of this Decree. With the evolution of the socio-economic situation, the addition of the form of electronic invoices is appropriate and timely.

The Ministry of Finance issued Circular No. 32/2011/TT-BTC on March 14, 2011, guiding the creation, issuance, and use of electronic invoices for selling goods and providing services. From here, there are clear and specific legal regulations to assist businesses in their implementation process.

On June 23, 2015, the Ministry of Finance issued Decision No. 1209/QD-BTC on piloting the use of e-invoices with tax authority authentication codes, along with testing regulations. This regulation governs the creation, issuance, use, and management of e-invoices with the tax authority's authentication code when selling goods or providing services to enterprises and tax authorities conducting these experiments.

During the implementation process, many businesses were excited and volunteered to participate in the pilot program.

The Ministry of Finance issued Decision No. 2660/QD-BTC on December 14, 2016, extending the time period of Decision No. 1209/QD-BTC dated June 23, 2015.

Circular No. 39/2014/TT-BTC dated March 31, 2014 of the Ministry of Finance guiding the implementation of Decree No. 51/2010/ND-CP dated May 14, 2010 and Decree No. 04/2014/ND-CP dated January 17, 2014 stipulates invoices for selling goods and providing services;

On September 12, 2018, the Government issued Decree No. 119/2018/ND-CP, which is an important legal corridor in the implementation of e-invoices. According to this Decree, the mandatory deadline for businesses, economic organizations, business households, and individuals to complete the conversion to e-invoices is November 1, 2020. The General Department of Taxation, Tax Departments, and Sub-Departments in localities have all been carrying out numerous propaganda activities and supporting businesses and economic organizations in order to achieve the aforementioned goal.

On September 30, 2019, the Ministry of Finance officially issued Circular No. 68/2019/TT-BTC, which guides the implementation of a number of articles of the Government's regulations on e-invoices when selling goods and providing services in Decree No. 119/2018/ND-CP dated September 12, 2018. Accordingly, 100% of businesses, organizations, individuals, business households, and individuals are still required to deploy e-invoices in accordance with the roadmap outlined in Decree No. 119/2018/ND-CP, with a deadline of November 1, 2020. However, in Chapter X, Law on Tax Administration No. 38/2019/QH14 introduced regulations on the use of e-invoices and extended the time limit for these regulations to take effect until July 1, 2022, allowing tax authorities, businesses, and organizations a reasonable time for adjustment. The deadline for the mandatory use of electronic invoices has been extended to July 1, 2022, according to the government's Decree 123/2020/ND-CP dated October 19, 2020.

Circular 78/2021/TT-BTC dated September 17, 2021 guides the implementation of a number of articles of the Tax Administration Law dated June 13, 2019; Decree No. 123/2020/ND-CP dated October 19, 2020, the Government regulates invoices and vouchers.

4. CURRENT SITUATION OF E-INVOICE MANAGEMENT IN VIETNAM

An e-invoice is an invoice with or without a tax authority's code provided by goods-selling and services-providing organizations or individuals, made by electronic means to record information on selling goods or providing services in accordance with accounting law and tax law, including the case where invoices are generated from a cash register with an electronic data transfer connection with the tax authority.

An e-invoice with a tax authority's code is an electronic invoice that is issued with a code by a tax authority before an organization or individual selling goods or providing services to a buyer. The tax authority's code on the e-invoice includes the transaction number, which is a unique sequence of numbers generated by the tax authority's system, and a string of characters encrypted by the tax authority based on the seller's information on the invoice.

The issuance of code by the tax authorities on electronic invoices based on the information of enterprises and economic organizations, other organizations, small business and individuals generated on the invoice.

An e-invoice without a tax authority's code is an electronic invoice sent to a buyer by an organization selling goods or providing services without the tax authority's code.

Invoices generated from cash registers connected to electronic data transfer with tax authorities are e-invoices with or without code.

E-invoice management is the activity of receiving, processing user registration, receiving, handling, and managing risks, as well as uniformly checking and exploiting information on e-invoices within the tax sector.

The achieved results on e-invoices

In recent years, Vietnam's macroeconomic situation has been essentially stable, inflation has been kept under control, and the economy has gradually recovered. Along with the openness of

the enterprise law on procedures and establishment conditions, the time to process market entry procedures has been significantly shortened, resulting in an increase in the number of enterprises, which means an increase in the number of users of e-invoices. The General Department of Taxation designed the tax authority's e-invoice management system, which includes the following components: the General Department of Taxation's direct invoicing portal, the e-invoice data receiving portal, and the e-invoice data processing system. In addition, in terms of technical infrastructure, the e-invoice system is built on the foundation of 4.0 technology application in the direction of big data system deployment (Big Data) in order to meet the requirements of processing large numbers of invoice transactions. At the same time, the General Department of Taxation is researching and implementing new technologies in this practice in line with the global IT development trend, which is currently being applied to similar platform systems such as Netflix, Amazon, and Facebook.

The process of implementing e-invoices has become increasingly powerful over the years, particularly in 2020-2021. By June 30, 2021, there are 255 pilot enterprises applying e-invoices with authentication codes of tax authorities according to Decision No. 1209/QD-BTC of the Ministry of Finance and more than 550,000 enterprises applying e-invoices according to Circular No. 32/2011/TT-BTC. According to aggregated data from the report on the use of invoices sent by enterprises, the number of e-invoices used by enterprises per year is approximately 1.3 billion invoices (the total number of invoices used by enterprises across the country is approximately 5.5 billion invoices per year - including paper invoices and e-invoices). Approximately 800 businesses across the country offer e-invoicing software solutions to businesses and organizations. These are enterprises that meet the requirements of Article 5 of the Ministry of Finance's Circular No. 32/2011/TT-BTC dated March 14, 2011.

Difficulties in the process of implementing and managing e-invoices

E-invoices provide numerous benefits to both businesses and tax authorities, but the implementation and use process still faces numerous challenges, including:

*** For businesses:**

Because of the impact of the epidemic, the business has temporarily stopped/stopped operating/is not operating at the registered address, the business does not generate revenue, many paper invoices remain so e-invoices are unused, the report on the use of invoices has not been updated to the management application system due to technical faults, which affect the report results, and so on, causing difficulties in the implementation of the use of electricity invoices.

In addition, the deployment and application of electronic invoice encounter barriers:

- The social aspect: When the accounting process is automated, labor productivity improves. Information and data from e-invoices are transmitted to the tax authority in real-time, eliminating the need for taxpayers to report on the use of invoices, and the data is automatically filled in the declaration forms. Some administrative staff may be transferred or become redundant as a result of streamlining manual processes.

- Technical obstacles: Typically, the electronic invoice system must be integrated with the enterprise's existing business system while also being combined with accounting software to

quickly record and save time when accounting output invoice. However, this process is complicated and costly due to outdated, incompatible, and commonly self-developed business systems.

- Competency requirements: New electronic invoicing techniques, such as new software, system integration, and data communications, require knowledge of new techniques. Units that use e-invoices must have a team of qualified and capable executors who meet the requirements to create, make and use e-invoices according to regulations. Failure to do so increases the risk of incorrect e-invoice creation and issuance, delayed data transmission, incompetently processing, and so on.

- Investment and integration costs may be high: Infrastructure, machinery, and equipment are required to issue invoices and transmit invoice data on a continuous basis. To meet the requirements of exploitation, control, processing, use, preservation, and storage of e-invoices, businesses require locations, information transmission lines, information networks, and communication equipment. Simultaneously, businesses must invest in software for selling goods and services that is linked to accounting software, ensuring that data from e-invoices for selling goods and providing services is automatically transferred to accounting software (or database) at the time of invoicing.

*** For tax authorities:**

- The data on business registration, trade promotion, and data on purchases and sales between businesses generated by integration between different units in the state sector such as the Department of Planning and Investment, the Public Security Agency, and Customs only aid tax authorities in the reconciliation process; there are still many mistakes in managing revenue sources, such as information that is not updated promptly, faulty transactions, and some units that may not access the information in time.

- E-invoice data security issues: To support the management process, data from taxpayers' e-invoices will need to be transferred to tax authorities. Electronic invoicing systems should be designed in a way that ensures operational dependability while minimizing the risk of communication breakdown, unauthorized access, and information manipulation. Any software, however, has design flaws that have to be improved and perfected as the advancement of science and technology. Because e-invoices are electronic data, the greatest risk is that they can be hacked, stolen information, or have the integrity of data changed during data transmission between related parties.

- Competency of staff: E-invoice management necessitates staff qualifications to meet technological requirements, as well as updating knowledge and skills to meet job requirements.

- For e-invoices without the tax authority's authentication code, E-invoice supply software must be purchased from a software vendor. Technology reliance on third parties will cause issues relating to confidentiality with revenue and cost, particularly in businesses involving political, security, and military factors.

- It is common for e-invoices to be forged while in use. In fact, many accountants mistakenly believe that an e-invoice is a PDF file sent by email from the seller, but it is possible that the accountant receives impersonated invoice mails for bad purposes. To recognize real and valid e-invoices and avoid using fake invoices, accountants must carefully check that the content of the email and the PDF file contains accurate data about the invoice and matches the data on the XML

invoice file (sales unit information, company name, tax code, digital signatures, and so on), as well as conduct a detailed and accurate lookup before performing subsequent transactions.

- With the above-mentioned fake e-invoice issue, it is necessary to establish standard requirements and criteria for e-invoices. As a result, businesses must select e-invoice providers who are dependable, have a clear vision, and offer effective risk-management solutions. As a result, the invoice recipient must understand how to identify the e-invoice: To be considered as an accurate e-invoice, the e-invoice PDF file must be accompanied by the XML file, which is the original file containing the invoice data. Therefore, to avoid risks, businesses must actively learn and be wary of untrustworthy suppliers. When detecting errors in received e-invoices or other complicated cases, taxpayers must proactively report to the competent tax authorities to determine the best way to handle them and avoid putting the business at risk.

5. SOLUTIONS TO IMPROVE E-INVOICE MANAGEMENT IN VIETNAM

5.1. Solutions to improve e-invoice management

Completing the legal corridor on electronic invoice management. Given the importance of invoices and the current invoice management situation, we must build a system of legal documents that strictly regulate the management of electronic invoices. However, in the creation process, it is necessary to avoid the phenomenon of too many guiding documents or overlapping documents, which can lead to confusion and difficulty in implementing and putting them into practice. The completion of the legal corridor contributes to the transparency of the invoice management policy, in accordance with international practices; and to limiting the inadequacies and gaps that remain in the legal corridor. In addition, the Ministry of Finance must work with other ministries and inter-sectoral departments to strengthen tax administration in general and invoice management in particular. Coordination with the Ministry of Planning and Investment in regulating enterprise establishment, creating rigor, avoiding the phenomenon of procedures being too simple, resulting in the establishment of ghost enterprises, purchase and sale of illegal invoices, in order to concretize and add more serious violations into the criminal code in order to limit circumvention and intentional violations when using illegal invoices.

5.2. Investment solutions

If you were given a generous budget increase to invest in a critical area of the tax department, where would you invest?

Nowadays, many of the world's tax authorities are working to evolve their systems and processes to keep up with complex compliance needs, and their investments in technology, processes, and people are laying the groundwork for future success.

Investing in technology to improve data quality

The majority of tax compliance obligations begin with transaction data. Companies are increasingly looking for technology solutions that can ensure the quality of sensitive tax data, just as tax authorities around the world are focusing on digitizing access to this data. These solutions include data collection tools that can read a company's ERP system, extract data for tax compliance, and

return it to a compliance-ready state without the need for human intervention. As a result, advanced technology is vastly improving the quality and visibility of tax data, as well as improving compliance for many state tax functions. As electronic invoicing and reporting requirements automate tax compliance, efforts are being made to replicate data collected by tax administrations.

Once data is available, data analytics solutions can assist in performing transparency checks to ensure consistency and quality, as well as providing additional insights and value to support the overall tax strategy of the organization. This is critical for companies doing business in countries where software solutions can perform cross-checks similar to those performed by SPED to verify data quality. Access to invoicing data can also help tax functionality create reports that identify risks, opportunities, and strategic decisions.

Invest in new skills

To maximize the value of investments in technology, centralization, data, and analytics, tax functions require a broader set of skills. While tax technical competence remains a top priority in terms of compliance, tax authorities must improve tax technology and soft skills such as acumen in general business, finance, and project management. A stronger accounting platform is a key component of the new tax professional profile, allowing them to understand the tax implications of transaction-level data or key elements of tax accounting in a multinational context, which may involve dealing with more than one accounting principle.

In addition to hiring and training staff, many tax agencies need to supplement their in-house skills by co-sourcing resources from tax providers. As operational complexity and risk increase, organizations have less incentive to develop and maintain non-core business functions in-house and the need for co-sourcing or outsourcing support increases.

5.3. Human resource solutions

- In addition to the solutions listed above, it is critical to improve the qualifications and ethics of tax officials because in fact it is not uncommon for tax officials to suggest and assist people in stealing money from the government. Many tax collectors must work long hours, sometimes even a year, to collect taxes, however, just three or five corrupt tax officers are enough to cause massive losses in a short period of time. This tarnishes the tax authority's image in the eyes of businesses and the general public. In terms of professional qualifications, the fact shows that some tax officers are still incompetent, do not have a deep understanding of their expertise, so there are many cases of wrong guidance for businesses when they have questions, cause people to misunderstand tax policy, and easily lead to tax violations. Therefore, the tax authorities must take steps to improve the professional qualifications and awareness of all tax officials, possibly through reward or discipline regimes for each officer, or by holding open periodical training classes for staff. Effective tax management in general, and invoice management in particular, will gain from proper implementation of these tasks.

- Tax professionals who have a diverse set of new skills add value to their organizations.

As technology provides tax functions with greater visibility and control over their company's tax data and automates tasks, in-house tax professionals will be liberated from the burden of regular

tax compliance. Simultaneously, they will face new requirements to improve data collection processes across the financial institution and work with data and analytics tools to transform financial data into useful detailed information. These requirements will drive organizations of the future to seek a new type of tax professional with in-depth knowledge of technology, tax, and accounting, as well as interaction methods, to improve data quality and decision making.

- Increase centralization and administration

At this point, one notion should be clear: data should be one of the cornerstones of modern tax organization design and development. It has become a real challenge to know how to access sensitive tax data while also ensuring its consistency and quality. As a result, the new compliance framework brings additional pressure to implement more stringent governance and controls, as well as to further standardize how it operates, with the ultimate goal of supporting new data requirements. For many multinational corporations with a presence in the region, this is just another reason to invest even more in centralizing processes and expanding their role as part of the tax function, increasing their integration with the overall financial institution.

- Collaboration with external service providers will create ways to provide resources.

The new era will put external tax service providers, such as software companies, under pressure to stay on the cutting edge of e-invoicing technology development. Tax compliance will be transformed from a specialized service to an automated commodity as a result of technological advancements, and businesses will seek out suppliers who go above and beyond compliance to provide extra value. Service providers will be required to provide data and analytics solutions that not only ensure data quality and consistency but also transform data into insights that support decision-making and strategy planning. Further advances in artificial intelligence will also significantly change how tax providers source and supply value.

5.4. Technical solutions

Integrated solutions for synchronizing management on the IT platform, particularly the implementation roadmap for both the government and enterprises, not only simplify procedures for businesses but also manage revenue well, potentially reducing the risk of tax evasion.

The tax industry develops and completes applications to support the management of e-invoices, contributes to the review and handling of invoice violations, and strengthens the improvement of the information technology system to be able to meet the needs of receiving tax records electronically. In addition, there is a need for a strong enough infrastructure to ensure that when an invoice has been issued, the data must be uploaded to the software on the internet. Then anyone who is granted access can access to check and compare.

Today, revenue organizations can extract more value from existing data thanks to the implementation of new data technologies and the use of advanced analytics. With the tax system entering an era in which authorities can access business information in real-time, it is easy to imagine a future in which tax authorities collect rough financial and transactional data from the company and send the tax declaration back to the company. For both tax authorities and taxpayers, the involvement of those in the compliance process will increasingly be limited to the strategic

analysis and high-level assessment functions. Furthermore, as other advancements in taxation, such as artificial intelligence and robotics, are increasingly introduced, the opportunities for taxonomy agencies to improve their efficiency may multiply through better tax administration, better understanding taxpayer behavior, more predictive insights to combat tax evasion, and more closely targeted audit efforts.

Tax authorities must develop policies to improve compliance, limit tax evasion, and increase revenue in order to reduce fraud and tax evasion. Tax leaks have pushed tax authorities to formulate and implement measures to address increasingly complex tax evasion scams. Among these solutions, tax authorities must quickly adopt new technologies to improve access to and management of tax-sensitive data. As a result, companies are required to provide digital tax records and documents in an increasing number of tax jurisdictions. However, accessing data is only the beginning. Implementing Big Data solutions in combination with advanced analytics enables revenue management agencies to extract more value from this data, and for tax authorities, these systems provide benefits beyond filing and payment compliance.

For example:

- Real-time access to transaction data increases transparency, providing tax authorities with more detailed pictures of taxpayers' accounts and transactions.
- Data analytics can be used to test the quality of taxpayer data by benchmarking against taxpayers with similar characteristics.
- By combining data analytics with other tools, tax authorities can scan through a wide range of taxpayer data to not only cross-check reported purchases versus sale reports but also to identify broader patterns and anomalies and detect potential areas of non-compliance.
- These risk areas can then be identified by tax authorities in order to select audit cases, optimize debt management processes, and design taxpayer communications to encourage compliance.
- Governments can also use this data to understand the impact and effectiveness of newly implemented tax policy changes.

The successful implementation of information technology will determine revenue agencies' future success in managing compliance risk and meeting growing service expectations. The emergence of Big Data technology, combined with advanced analytics and increased digital presence, provides an opportunity to consider moving more to a real-time tax system and exploring new options for management tax, combating fraud, dealing with the hidden economy, and evaluating how assets are actually used.

E-invoice management software still has the risk of malicious code attacking the system, such as invoices issued at unusual times, unusually large invoices, and issuing a large number of invoices in a short period of time. As a necessary consequence, it is essential to formulate a secure e-invoice management platform capable of detecting abnormal behavior in a large number of e-invoices and thus achieving management goals. To do so, an e-invoice detection method based on machine learning is required, which can accurately identify anomalies in the e-invoice system. Furthermore, it is necessary to conduct extensive behavior analysis and synthesis, exploit potential

threats in the electronic invoice system, design and implement a method of deep synthesis analysis of electronic invoice data based on a clustering algorithm K-means to evaluate the early warning threshold of security events and Skip-gram in semantic analysis to analyze the correlation between enterprises. Hence, it can provide an efficient method of detecting malicious attacks and can also exploit potential threats in the electronic invoice system.

Developing a risk management information system based on electronic invoices, as well as exploiting and utilizing new public financial services developed by Fintech companies based on open data from the tax industry. Artificial intelligence and virtual assistants are being developed and used in some unusual activities involving user electronic invoices.

Global tax functions and operations become more centralized.

As financial and tax functions continue to be centralized, organizations will gain more of the traditional benefits of centralization, such as standardization, efficiency, and economies of scale. However, the introduction of fully digitized tax systems will create new issues that will complicate operational risks. Companies will be forced to respond with structures that encourage connectivity among financial institutions and allow for the implementation of systems and processes to ensure the quality of tax-related data. For multinational corporations, the development of regulations that encourage information exchange between tax authorities reinforces the benefits of investing in centralized sourcing models, such as a shared service center that can serve multiple jurisdictions and ensures that records are consistent across countries and business units.

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STRATEGY FOR VIETNAM TO DEVELOP DIGITAL HUMAN RESOURCE READY FOR DIGITAL TRANSFORMATION FROM SINGAPORE EXPERIENCE

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Abstract: Drawing from Singapore's experience in developing digital human resource ready for national digital transformation in order to become the first smart country in the world, recognizing the nature and characteristics of the digital transformation as well as the specific conditions of current Vietnam, the article identifies the prerequisites and challenges of Vietnam in developing digital human resource ready for the national digital transformation and then proposes a strategy to develop digital human resource for Vietnam implement successfully the national digital transformation to go fast and go further in the era of Industry 4.0. More specifically, in order for Vietnam to implement successfully the national digital transformation to go fast and go further in the era of Industry 4.0, development of the digital human resource in current Vietnam need to meet the following main factors: (1) breadth of human resources: the majority of human resource must be equipped with skills compatible with advances of technology in the era of the industry 4.0; (2) depth of human resource: need to develop a core talent pool ready for digital transformation; (3) it is necessary to build an open integrated ecosystem that promotes innovation. Condition (1) is to provide digital skilled human resources to create the foundation for the national digital transformation, so that Vietnam does not lag behind. Conditions (2) and (3) are the "golden key" to help Vietnam go fast and go further in the Industry 4.0. To meet the all condition well, we need to have the best efforts from both the State and employees as well as businesses and training organizations.

Keywords: Strategy, digital human resources, digital talents, advanced technology, digital skills, digital transformation, the industry 4.0, the digital age...

1. INTRODUCTION

Vietnam has quite well known for concerning human resource development. In fact, in line with the industry 4.0, Vietnam has promptly issued the Resolution 52-NQ/TW, a comprehensive assessment document on the Industrial 4.0, clearly defining its viewpoint and objectives, policy orientations and specific strategic solutions⁴. Then the Resolution of the 13th National Congress has made clearly that "improve the quality of human resources, have a breakthrough mechanism to attract and utilize talents, and promote innovation and creativity. Strong application of science and technology, especially achievements of the fourth industrial revolution, creates a strong driving force for rapid and sustainable development"⁵.

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4 Politburo (2019) "Resolution No. 52-NQ/TW dated September 27, 2019 of the Politburo on a number of guidelines and policies to actively participate in the Fourth Industrial Revolution" <https://tulieuvankien.dangcongsan.vn/he-thong-van-ban/van-ban-cua-dang/nghi-quyet-so-52-nqtw-ngay-2792019-cua-bo-chinh-tri-ve-mot-so-chu-truong-chinh-sach-chu-dong-tham-gia-cuoc-cach-mang-cong-5715>

5 The 13th National Congress of the Communist Party of Vietnam (2021) "Resolution of the 13th National Congress

It is hard to deny that the Industrial 4.0 opens a new era of development, completely different in level, structure and development logic from previous times. There, in the industry 4.0, advanced technology and innovation are the main development drivers and thus skilled and talented human resources with the innovative spirit become crucial more than ever. Accordingly, the countries soon know how to take care of developing skilled and talented human resources ready for national digital transformation, soon know how to make full use of advanced technology and continue to be innovative to solve national as well as global problems these countries will have the upper hand in this fierce competition.

Along with the development trend of the digital transformation age, Vietnamese human resource has a mixture of advantages and disadvantages, which can be transformed into each other, advantages or disadvantage depending mainly on how we deal with it. It will be a great advantage if we can simultaneously solve well both problems. Quickly reducing the skill gap for the majority of the population and build a team of core technology talents with the innovative spirit to lead the national digital transformation. Otherwise, it will be a burden on the country's development journey.

2. LITERATURE REVIEW AND PREVIOUS RESEARCH STUDIES

Singapore soon realized that developing appropriate digital human resources is the decisive factor for successful digital transformation and thus from the very beginning, Singapore has focused on developing appropriate digital human resource to accelerate the process of the national digital transformation to realize the ambition of becoming the world's first smart country and achieve great success. There have been a number of studies on Singapore's experience in developing digital human resources for digital transformation to draw lessons for other countries.

Collectively, they can be divided into three main groups. Firstly, the research group on Singapore's institutions and policies in promoting and supporting the development of skilled and talented human resources ready for digital transformation. Second, the research group on Singapore's institutions and policies in promoting and supporting businesses in digital transformation. Third, the research group on Singapore's institutions and policies in promoting the digital government. Group 1 with typical studies such as that of the Asian Bank ADB (2021) "Reaping the Benefits of Industry 4.0 Through Skills Development in Vietnam – reaping the benefits of the Industrial Revolution 4.0 from skills development in Vietnam". Research by PwC Vietnam (2021) "Vietnam Digital Readiness Report: PwC Vietnam's survey on technology, jobs and skills – Report on digital readiness in Vietnam: A survey on technology, jobs and skills". Research by the Center for Creative Leadership (2021) "Digital Leadership Readiness: Lessons from Singapore: Digital Leadership Readiness: Lessons from Singapore". Research by Michael Fung (2020) "Developing a Robust System for Upskilling and Reskilling the Workforce: Lessons from the SkillsFuture Movement in Singapore – Developing a strong system for upskilling and re-skilling human resources: Lessons from the Future Skills Campaign in Singapore".

The studies of group 1 emphasized that developing digital human resource ready for digital

transformation, especially digital leaders, is extremely important to determine the success or failure of the digital transformation.

Group 2 with typical studies by Joey Erh (2021) "Assessing Digital Economy Policies in Six Southeast Asian Countries – Evaluation of Digital Economic Policy in Six Southeast Asian Countries". Research by Ayman Falak Medina (2021) "How Singapore is Helping Businesses Accelerate Digital Transformation and Expand Overseas – How Singapore promotes businesses to digitally transform and expand abroad". Researches by Nguyen Huy Hoang (2020) "Experiences of some ASEAN countries on digital economic development and implications for Vietnam" and research on "Singapore's experience of building synchronous institutions and policy recommendations for Vietnam". Research by the group of authors Pham Manh Hung and Bui Khac Linh (2021) "The digital transformation journey of Singapore to build a smart nation and implications for Vietnam"...

Research by Nguyen Huy Hoang emphasizes that Singapore has built an effective system of institutions and policies to promote the development of the digital economy, creating a diverse and dynamic startup ecosystem with global technology corporations. With establishing typical specialized agencies such as the Singapore Information and Communications Development Authority (IMDA) and the Office of Digital Government and Smart Nation (SNDGO) played important role to accelerating Singapore's digital transformation process.

Authors group Pham Manh Hung and Bui Khac Linh from the analysis and evaluation of Singapore's digital transformation journey to build a Smart Nation along with the analysis and assessment of the specific context and actual conditions of Vietnam have believes that Vietnam has the opportunity to make a big change in digital transformation to quickly catch up with developed countries. However, it is difficult for Vietnam's digital transformation to go fast, go far, and make big changes with current human resources and talents. It is time for Vietnam to have specific mechanisms and policies to promote the development of skilled and talented human resources to lead the digital transformation.

Group 3 with research by Ng Chee Khern (2019) "Digital Government, Smart Nation: Pursuing Singapore's Tech Imperative – Digital Government, Smart Nation: Pursuit of Singapore Technology Command". Research by Kelvin Lee (2021) "How will Industry 4.0 and Smart Nation initiatives change our society in Singapore – Industrial Revolution 4.0 and Smart Nation Initiative will change Singapore society". Research by Smart Nation and Digital Government Office (2018) "Smart Nation: The Way Forward – Smart Nation: The way forward". Research by Pin Fen Fong (2019) "Industry 4.0 for developing countries: Strategy and implementation – Industry 4.0 for developing countries: Strategy and implementation"...

The studies of group 3 noted that building digital government needs to take a people-centered approach to design products or services from the perspective of a citizen's need to use services. It is necessary to have a new way of thinking and doing, always determining what is the most issues that people care and how to make it most convenient for the people.

In Vietnam, in recent years, digital transformation is a topic that has received the attention and discussion of the public, especially national leaders, businesses and researchers. Collectively,

it can be divided into two groups. Firstly, the group emphasized the importance and urgency of developing skilled and talented human resources to promote digital transformation, including Minister of Information and Communications Nguyen Manh Hung and former head of the Central Economic Commission Nguyen Van Binh. Minister Nguyen Manh Hung (2021) argues that digital transformation is not a revolution of technology, but a revolution in institutions and digital human resource development and thus, building institutions and developing digital human resources ready for digital transformation need to go one step ahead to ensure successful digital transformation. Former head of the Central Economic Commission Nguyen Van Binh emphasized that the strong development of digital technology and new business models require the development of digital human resources with the spirit of innovation to adapt to the digital transformation...

Second, the research group on the institutional and policy system promoting digital transformation in Vietnam includes typical studies by Pham Sy Thanh (2020) "Improving the legal framework for digital transformation". Tuong Huy (2021) "Strongly promoting national digital transformation". Pham Sy Thanh summarized the development of the legal framework for digital transformation in Vietnam today and said that the legal framework for national digital transformation in Vietnam is relatively complete and comprehensive, including the general legal framework and the legal framework for each specific field. However, the quality needs to be improved to be more effective. Pham Sy Thanh also noted that the success of digital transformation is not only determined by the design of policies, but also by the government's ability to support businesses in digital transformation. Tuong Huy has systematized the major policies of the Communist Party of Vietnam and State in digital transformation as well as the results achieved in the national digital transformation in the past time. Tuong Huy argued that the national digital transformation is to meet development requirements and emphasizes that clear awareness of digital transformation plays a decisive role in digital transformation.

Thus, the above studies all emphasized the importance of developing digital human resources ready for digital transformation. The studies provided an general picture on how Singapore developed digital human resources ready for digital transformation and offered some valuable suggestions for Vietnam. The above studies have also mentioned the inadequacies of Vietnam's institutional and policy system in digital transformation as well as urgent needs for Vietnam to develop digital human resources for the national digital transformation. However, few studies have focused on summarizing Singapore's experience in developing digital human resources ready for the national digital transformation, thoroughly analyzing the current context and specific conditions of Vietnam and offering solutions to develop digital human resources ready for the national digital transformation of Vietnam to go fast and go further in the industry 4.0.

3. METHODOLOGY AND PROPOSED MODEL

This article mainly uses the secondary literature research method. The data used in this study are mainly secondary data collected from reliable sources. Firstly, secondary data are articles and studies on digital human resources ready for the Industry 4.0 collected from reputable sources, such as specialized journals under the ISI database, Scopus and prestigious domestic journals on the list of the State Council for Professor Titles. Second, secondary data are policy documents, reports and plans collected from agencies, international organizations, official agencies and organizations of

Vietnam and Singapore. For Singapore, policy documents include mainly laws, plans, programs/projects... For Vietnam, policy documents also include Resolutions of the Communist Party of Vietnam, laws, plans, decrees,...

Policy text analysis methods, Comparison and contrasting method, and Analytical-synthetic method are main methods in the article, The methods are used to answer the research questions of the article. Firstly, how Singapore has solved the problem of developing digital human resources ready for national digital transformation? Second, what factors have a dominant influence in Singapore's solution to the problem of developing digital human resources ready for national digital transformation? Third, how can Vietnam learn from Singapore's experience to promote the development of digital human resource ready for national digital transformation in the specific conditions of Vietnam today? Fourth, what prerequisites and challenges does Vietnam have in developing digital human resource ready for national digital transformation?

To clarify the Singapore way to solve the problems of developing digital human resource ready for the national digital transformation, the article focuses on clarifying issues such as what were viewpoint, objectives and solutions of Singapore? Why did Singapore use that solutions, in what specific context, and how were the results? What are characteristics? Specifically, the policy text analysis method is used to clarify and identify viewpoint, objectives and solutions of Singapore to the problems of developing digital human resource ready for national digital transformation. Analytical and synthetic methods are used to clarify the factors that have a dominant impact on Singapore's solutions to the problems of developing the digital human resource ready for the national digital transformation. Analytical and synthetic methods are also used to clarify prerequisites and challenges of Vietnam in developing digital human resource ready for national digital transformation. The comparative and contrasting method is used to clarify and draw out the main similarities and differences between Vietnam and Singapore in developing digital human resource ready for national digital transformation.

4. RESEARCH RESULTS

4.1. Summarizing success story of Singapore in developing digital human resource ready for the national digital transformation

Singapore has become famous for its story of dragon transformation from a poor fishing village, in the space of a generation, since it was separated from Malaysia to become an independent nation in 1965. Today, anticipating that the era of the industry 4.0 is to be realized, Singapore is conducting a drastic digital transformation to become the first smart nation in the world; the nation is taking methodical steps and pursuing unique strategies to this end. The digital transformation of Singapore will benefit people's lives and support and facilitate the digital transformation of businesses to embrace new economic opportunities. Specifically, Singapore has implemented a step-by-step digital transformation with a specific roadmap, which has been implemented decisively and with clear results. Therefore, people and businesses have had the time to get acquainted with technology and adapt to using it, and have increasingly come to believe in the journey of transformation. As such, the digital transformation journey in Singapore has attracted the enthusiastic participation and support of everyone involved—both enterprises and individuals from the population—and, thus, has achieved great results. Today, many countries are

still discussing digital governance, a digital economy, and digital society, even some countries are still struggling with the concept of e-governance, Singaporean people and businesses are enjoying the sweet results of the digital transformation that has been brought about. Singapore is gradually realizing its ambition to become the first smart nation in the world.

Singapore is also known to be a guru in promoting human resources and talent. This is widely recognised as the decisive factor bringing Singapore from the third world to the top of the first world in just one generation. Today, that precious tradition continues to be fully promoted by Singapore in the digital transformation to prosper the country in the era of industry 4.0. In fact, since the beginning of the transformation, Singapore has paid special attention to, and maintained a long-term vision, to guarantee that its skilled human resources are ready for digital transformation in a very practical, methodical and effective way. Singapore, on the one hand, helps the majority of citizens to be rapidly skilful to adapt to the digital transformation, and on the other hand, makes efforts to develop a talented workforce that rolls with the spirit of innovation to lead the journey of digital transformation. Through this, Singapore can fully make use of its digital technology to achieve rapid development of integrated ecosystems in order to increase its domestic competitiveness for the era of industry 4.0. As a result, with a population of just over 5.8 million people, the country can still ensure good human resources, skills and talents that are ready for digital transformation. This contrasts with many other Asian countries that have large populations but are grappling with a shortage of skilled human resources and talent ready for digital transformation. Therefore, Singapore is always in the group of countries leading the world in terms of digital competitiveness and readiness for Industry 4.0.

4.2. Prerequisites of Vietnam in developing digital human resource ready for the national digital transformation

It's hard to deny that we have a comprehensive combination of advantages, the population of nearly 100 million people is the 15th largest in the world, and it is in the golden age of population with 70% under 35 years old, the beautiful geographical location is even more valuable in the Asian century, which is developing very vibrantly. Human resources are not only young but also have bright and favorable qualities for successful digital transformation such as good intellectual potential, studious, quick learning, and friendly, good at adaptable. In particular, due to historical circumstances, we have a precious source of Vietnamese oversea, hundreds of thousands of Vietnamese scientists, experts and engineers are living and working in countries with advanced scientific background, many of which are famous experts, professors and technicians. There are a large number of talents in artificial intelligence technology that are working for the world's leading industrial corporations, universities and research institutes. Another advantage is that at present, we have about 1 millions employees in the field of information technology, there are a large number of engineers in artificial intelligence technology, data science... Block chain and fintech are increasing rapidly. The labor productivity of this industry is about \$30,000, six times the average!...

The problem is that those advantages do not transform into comprehensive strength by themselves but require leadership with wisdom and creativity, knowing how to choose and focus

1 Tran Dinh Thien, "Digital Economy", chapter 4, p.217, in the book "Vietnam in the digital transformation era". World Publishing House, Hanoi, 2019.

resources on priority goals to create synergy to bring the country to breakthrough development. We follow the one-party regime, so we have great advantages in consistently implementing long-term strategies, quickly mobilize and focus resources on priority goals for the country's breakthrough development... But those advantages only come into play when we have a team of talented, conscientious and visionary leaders of the country. Otherwise, it will destroy or slow down the development progress of the country.

4.3. Challenges of Vietnam in developing digital human resource ready for the national digital transformation

Besides advantages, our current human resources have many limitations and weaknesses, they become much more serious with many uncertainties, dangers and unpredictable consequences if there are no quick and significant changes to adapt to the age of digital transformation. The number of untrained human resources is too large, accounting for 75% of the labor force, about 40 million people, which is a rather gloomy picture if we do not quickly equip the right skills. The 2018 report of the World Economic Forum assessed that Vietnamese human resources are not ready for the 4.0 era, ranking 70 out of 100 countries after the Philippines¹. Also due to low skills and nature of labor, our human resources are vulnerable to technological breakthroughs, lose jobs and be replaced by automation, intelligent robots, and artificial intelligence. A 2016 report by the World Labor Organization warned that 70% of Vietnamese workers in manufacturing are at high risk of losing their jobs, 86% of workers in the textile and garment and footwear industries are likely to lose their jobs when automated production technology is used².

The 25% trained labor force also has many problems. The quality of Vietnam vocational training ranks 80/100 countries, just higher than Cambodia (92/100), highly qualified human resources are also in the bottom group, ranked 81/100 countries³, especially, labor productivity is too low, only equal to 7% of Singapore⁴... Not to mention that there will be a large number of talents that will flow into other countries if we don't have a significant improvement in the working environment and policies... Moreover, Vietnam production capacity is not ready for the Industry 4.0, the average score is 4.9/10 below the average score⁵.

Therefore, in order for us to successfully implement the national digital transformation, we must simultaneously solve three very hard problems. *Firstly*, the requirement for developing skilled and talented human resources ready for digital transformation is extremely large, both in quantity and quality, while the education and training system, especially at the university level and vocational training, too weak, and this problem cannot be solved by overnight.

Second, we need to maintain a consistently high GDP growth rate (over 7%/year) to achieve the goal of becoming a high-income development country by 2045 while the GDP growth momentum

1 CIEM (2018), "Impact of the Industrial Revolution 4.0 on Vietnam's human resource development, topic 10, p.11.

2 Ho Tu Bao, "Digital human resources and new labor skills", chapter 7, p.333, in the book. "Vietnam in the digital transformation era". World Publishing House, Hanoi, 2019.

3 CIEM (2018), "Impact of the Industrial Revolution 4.0 on Vietnam's human resource development, theme number 10, pp.12-13.

4 VNN (2020), "Vietnamese brains will decide", <https://vietnamnet.vn/vn/tuanvietnam/viet-nam-hung-cuong/nao-bo-cua-nguoi-viet-se-quyet- Dinh-679783.html>

5 CIEM (2018), "Impact of the Industrial Revolution 4.0 on Vietnam's human resource development, topic 10, p.6.

tends to slow down through each 10-year in the period from 1991 to 2018. The 10-year period from 1991 to 2000, the average growth rate was 7.4%. In the period 2001-2010, the average growth rate decreased to 6.8%. In the period 2011-2018, the average growth rate decreased further to 6.2%¹. The problem can not be overcome by removing the "bottlenecks" of growth, that means upgrading and improving efficiency of traditional resources and driving forces is not enough, but it is necessary to actively seek new resources and development drivers in new ways.

Third, we need to develop and fully exploit advanced technology and constantly innovate towards an economy based on innovation, increasing productivity, competitiveness and efficiency while the national innovation system is not only weak and stagnant, but also lacks of pressure and motivation as well as a favorable environment for development, and this problem is not easy to overcome by overnight.

In short, we both have to remove the growth bottlenecks and create new growth engines, and at the same time, we also have to solve two difficult human resource problems to meet the requirements for success of the national digital transformation. Firstly, quickly equip the majority of human resources with suitable skills to promote the national digital transformation, and secondly, build a team of core talents with an innovative spirit to lead the national digital transformation to go fast and go further in the era of the Industry 4.0. More specifically, in order for Vietnam to implement successfully the national digital transformation to go fast and go further in the era of Industry 4.0, development of the digital human resource in current Vietnam need to meet the following main factors: (1) breadth of human resources: the majority of human resource must be equipped with skills compatible with advances of technology in the era of the industry 4.0; (2) depth of human resource: need to develop a core talent pool ready for digital transformation; (3) it is necessary to build an open integrated ecosystem that promotes innovation. Condition (1) is to provide digital skilled human resources to create the foundation for the national digital transformation, so that Vietnam does not lag behind. Conditions (2) and (3) are the "golden key" to help Vietnam go fast and go further in the Industry 4.0. To meet the all condition well, we need to have the best efforts from both the State and employees as well as businesses and training organizations.

5. DISCUSSION AND CONCLUSION

5.1. Quick equipping the majority of human resource with digital skills to promote the national digital transformation

5.1.1. Building a Digital Skills Framework and establishing a National Steering Committee for Developing Digital Human Resource

It is necessary to build a Skills Framework in the next 5 years in industries to orient workers, businesses, training organizations and the public to go in hand with the national digital transformation, majority of human resources need training and equipping with appropriate digital skills to adapt to the national digital transformation. Applying artificial intelligence technology,

¹ Tran Dinh Thien (2019) "Strategic thinking on economic development dynamics", Proceedings of the Scientific Conference on Macroeconomic Policy Planning, National Academy of Public Administration and Ministry of Home Affairs, Hanoi, 2019.

collect information on the domestic labor market, supply and demand to have an accurate assessment of labor market trends to provide for training organizations, employees, businesses, the public and serving for making policies in developing digital human resources...

The Skills Framework needs providing information on job opportunities, career paths, job prospects, new and existing skills... Workers use the Skills Framework for identifying new skills that need developing. Businesses use the Skills Framework for preparing workers with the right skills for digital transformation. Training organizations use the Skills Framework for designing appropriate training programs ...

It is also necessary to set up a National Digital Skills Development Steering Committee and national digital skills development funds to develop digital human resource ready for the national digital transformation...

5.1.2. Implementing effectively supportive policies to reduce digital skills gaps

In order to increase efficiency, training support funding should be based on at least two basic criteria. Firstly, the training results with criteria such as the number of training according to the needs of enterprises, the number of graduates who have a job within 6 months, etc. Second, the priority sectors of the country, for example, artificial intelligence technology, internet of things, big data science, block chain...

Every year, training organizations, whether public or private, who want to receive funding for training support, sign an outcome agreement with the National Digital Skills Development Steering Committee, Agreeing on specific results, measures of evaluating results, and specific plans for completion. In order to have an objective, accurate and fair assessment, it is necessary to establish an Evaluation Council consisting of prestigious scientists and experts who are known and recognized by the scientific community, and representatives of professional associations and industries,...

Evaluation results are used as a basis for determining training support funding, training organizations that achieve excellent results will be provided with corresponding support funds, those training organizations that do not achieve the prescribed minimum results for 2 consecutive years will have to cut the support funding until they reach the prescribed minimum results or be merged into more effective training organizations. Results and support funds are posted on the website of the National Digital Skills Development Steering Committee and the mass media. Thus, training organizations that want to receive financial support must make every effort to get outstanding results in training appropriate skills for workers, businesses, and the country...

In order to attract experts, high-caliber scientists and engineers in advanced digital technology to work for training organizations with priority industries for digital transformation, the State has a policy to support paying 50% of salary, personal income tax exemption... Providing an attractive scholarship system for 10% of the best students. Every year, awarding prestigious awards to training organizations with the best achievements, to individuals with outstanding achievements and significant contributions to digital human resources ready for the national digital transformation.

5.1.3. Efforts of employees and employers

In the digital age, digital skills are an important baggage of employees, those who have good digital skills and create much more value for society will succeed and enjoy worthy results. Also because of the breakthrough development of digital technology and the innovation of business models makes many skills no longer relevant or quickly obsolete, many careers are being lost and will be lost. New careers require new skills and thus having a good job or not depends more on lifelong learning, constantly improving and upgrading skills, quickly developing new skills. Therefore, employees need to be prepared to go out of familiar areas to learn new skills, constantly improve to have high skills to quickly adapt to the digital transformation age.

Businesses also need to be very aware of the core values in the digital transformation age including both digital human resources and digital technology. Therefore, along with thoroughly applying digital technology, constantly innovating to increase labor productivity, enterprises also need to focus on preparing carefully to have a appropriate digital human resource ready for digital transformation. In addition, promoting cooperation programs with universities and research institutes, supporting excellent students in priority fields to participate in internships or work in enterprises with satisfactory incomes and incentives.

5.2. Setting up a Grand Project to develop and apply artificial intelligence to go directly into the industry 4.0...

Reducing the skill gap is just the foundation, but in order to create breakthrough development for the national digital transformation, we need to put all our efforts to develop a core team of digital talents with innovate spirit to pioneer in new businesses, important technologies such as artificial intelligence, big data, internet of things, block chain... We need to set up a Grand Project to develop and apply artificial intelligence to advance with the industry 4.0. Therefore, instead of continuing the traditional way with many tiny projects, we need to focus on setting up a Grand Project to develop and apply artificial intelligence to quickly catch up and get ahead in this global fierce competition to remove growth bottlenecks and create new growth drivers, and help Vietnam have significant position in the global technology map.

• Vision and roadmap

The goal is that by 2030, Vietnam is in the top group of ASEAN in the development and application of artificial intelligence, by 2045, in the group of 20 leading countries in the world. To carry out this mission, the Grand Project focuses on implementing 3 main tasks and with a 3-phase roadmap.

+ Researching, planning strategies for Vietnam to go straight, master and pioneer in the development and application of artificial intelligence to solve national and global problems;

+ Connecting and building a global artificial intelligence network for a powerful Vietnam in the industry 4.0; Collect and update the latest information on the development and application of artificial intelligence; Attract, train and nurture experts and engineers in artificial intelligence technology;

+ Phase 1: Establishing a network and accessing technology: Linking and attracting global artificial intelligence talent. Training and fostering talents in artificial intelligence technology. Applying artificial intelligence technology to solve national priority problems.

+ Phase 2: Network development and technology improvement: Based on the knowledge and foundation to develop new foundations of artificial intelligence technology. Expanding the

network of links, research "stations" and innovative technology centers. Attract more financial resources from businesses and international organizations...

+ Stage 3: Technological innovation and pioneering: Constantly increasing inventions, introduce new technology applications to be compatible, more efficient, and solve global problems.

● **Recruiting key digital leaders**

The core talents, especially the Commander-in-Chief of the Grand Project, the commanders of the special task forces have a very important role in determining the success or failure of the Grand Project, so they must be carefully selected to have the best people who have enough capacity, experience, quality and reputation to lead the Grand Project. It is necessary to search from all sources on a global scale. Depending on the position, there are different selection criteria, but at least the following criteria must be met.

- **Capacity and experience:**

+ Good leadership, vision and ability to operate globally; Deeply knowledgeable about technology and has a wealth of experience, having successfully managed large scientific and technological projects;

+ There have been great achievements in fact that are evaluated as outstanding by colleagues, have excellent leadership and management capabilities, are well known to the public, society, especially the international community of scientists...;

- **Quality:**

+ Considering the high-ranking position in the Grand Project is to opportunity to use capacity to contribute to the country's development, to create "Miracle on the Red River" in the Industry 4.0.

+ Full spirit of innovation and creativity, burning desire for prosperity of the country, daring to think, to do, to take breakthrough actions to make breakthrough development for prosperity of the country...

● **Financial sources and operating mechanism**

- The initial financial source for the Grand Project is about 10 billion USD arranged by the State, technology corporations and mobilize from other sources, from domestic and foreign organizations and individuals. The State and a number of domestic technology corporations joined forces to implement this Grand Project.

- The Grand Project to set up three special teams to research artificial intelligence. Team 1 is located in Hanoi, Team 2 is located in Silicon Valley, USA, Team 3 is located in London, UK. Through this, we will create bridges and networks to exploit global wisdom for a powerful Vietnam in the industry 4.0.

- The Commander-in-Chief of the Grand Project has full authority to decide all activities of the Grand Project, responsible to the Prime Minister, the people and the fate of the nation. Each team has a commander in Chief has full authority to decide all activities of the team, responsible to the Commander-in-Chief of the Grand Project, to the people and the fate of the nation. Teams operate on the principle of independence, cooperation and competition with each other.

In conclusion, the Industry 4.0 opens up a golden opportunity for our country to catch up with developed countries, we need to focus on developing digital human resources and digital talents ready for digital transformation success, making full use of advanced technology and innovation to solve big problems of the country and the world to gain the upper hand in this fierce competition. In particular, it is necessary to build a core team of digital leaders with a innovative spirit, strategic thinking, decisive action to connecting and exploitation global knowledge. We have to create the best favorable environment for digital talents to make full use of their capacity to make Vietnam a powerful in the fourth industrial revolution.

Today, our generation has been given a historic mission to make our country powerful in the Industry 4.0, we must not miss this once-in-a-lifetime opportunity. We need to start now, it is about time we needed to do our best to create "Miracle on the Red River" in the Industry 4.0. Let's act together for a powerful Vietnam in the Industry 4.0. Then we have the right to be proud of a generation that has successfully completed the historical mission entrusted to us. Our country, our people have own story of "Miracle on the Red River". Our country has a great potential strength once it is activated, it will rise strongly.

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NATIONAL AESTHETIC POINT OF VIEW AND SUSTAINABLE DEVELOPMENT OF THE COUNTRY

PhD. Nguyen Ngoc Anh¹

Abstract: *In the context that the world is changing rapidly and strongly, new perceptions of value for sustainable development are increasingly clearly shaped. One of the values that are highly valued, valued, and considered as a sustainable foundation for the development of all countries is the national aesthetic point of view - a great resource, an important part of the world in the total endogenous strength of each nation. By analyzing the current state of the national aesthetic perspective, using qualitative methods and analyzing secondary documents, the author has determined the position of the national aesthetic point of view on the path of sustainable development. country and discuss the matter.*

Keywords: *aesthetic point of view, sustainable development, growth...*

1. INTRODUCTION

Currently, besides the expressions of healthy and positive aesthetic views, there are also many opposing views with complicated and worrying developments. Due to the impact of the market economy in the era of globalization and international integration, the struggle between true cultural and aesthetic values and the banal and lowly ones in our country is taking place more and more decisively. listed in any form. In addition to adopting the progressive aesthetic values of humanity, many evils are creeping into people's ideological life. The introduction of cultural and artistic ideas and trends from the outside, although enriching the spiritual life of the people, also complicates the value orientation, creating doubts about the good values of the nation, including those of socialism. These negative aspects not only have aroused wrong views, mediocre tastes, but also have the effect of inhibiting the development of beautiful and healthy aesthetic views, degrading traditional values. has been deeply imprinted in the hearts, feelings and thoughts of our people for generations. Meanwhile, the management of mass media activities and cultural products is still loose, the trend of commercialization, the indulgence of inferior tastes, makes the ideological and aesthetic education function of literature. art is in decline.

In the past time, Vietnamese art and aesthetics have gone through many ups and downs along with historical changes, but through each development step, our nation's aesthetic perspective is imbued with the same thought. revolutionary ideas of Marxism-Leninism and the Communist Party of Vietnam. The struggle to protect good and true aesthetic ideas and views against the emergence of low and mixed cultures requires us to more deeply grasp Marx's aesthetic views - Lenin in the cause of building and developing an advanced culture imbued with national identity in the current integration trend.

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Aware of the importance of aesthetic point of view for the cause of building a new Vietnamese man, in the Resolution of the 9th Plenum of the 11th Central Committee, the Communist Party of Vietnam has clearly defined the task: "Directing activities cultural, educational and scientific activities in building people with a scientific worldview, towards truth - goodness - beauty. Associate moral building and training with the exercise of human rights, basic rights and obligations of citizens. Improving the intellectual capacity and fostering knowledge for Vietnamese people to meet the requirements of the socialist-oriented market economy and international integration, the knowledge economy and the learning society. Summarizing and building a standard value system of Vietnamese people in the period of industrialization, modernization and international integration"¹.

2. LITERATURE REVIEW AND PREVIOUS RESEARCH STUDIES

The aesthetic point of view is a concept that has different understandings in terms of approach, content, scope as well as connotation. It was born with the history of struggle between materialism and idealism in the history of aesthetics for more than 2000 years. It can be clearly seen in the aesthetic thought of the greatest representatives of the development stages of human aesthetics such as: Platon (427 - 347 TCN), Aristote (384 - 322 TCN), Leonardo da Vinci (1452 - 1519), Sepxberi (1671 - 1713), Montesquieu (1689 - 1755), Diderot (1713 - 1784), Baumgacten (1714 - 1762), Kant (1724 - 1804), Lessing (1729 - 1781), Hegel (1770 - 1831), Bielinxki (1811 - 1848), Tsecnusepxki (1828 - 1889)...

In Vietnam, aesthetic perspective is also of special interest to researchers of aesthetics, literature and art studies. Typically, there are works of leading authors in the field of aesthetics today such as the work "Beautiful" by Vu Khieu, joint works of authors Do Huy and Do Van Khang such as the book "Marxist-Leninist Aesthetics", "Fundamental American Curriculum"; "General course on basic trends in the history of aesthetics" co-edited by two authors Do Huy and Vu Trong Dung and other works such as "Textbook of general aesthetics" by Nguyen Van Huyen Ed; the book "General American Studies" by Le Ngoc Tra, Lam Vinh, Huynh Nhu Phuong. On the basis of studying aesthetic trends, these works have generally mentioned fully the aesthetic views of estheticians and schools in the history of aesthetic research from the aesthetic point of view. simple materialism, objective idealistic aesthetic views, subjective idealism, to the dialectical aesthetic views of C. Marx, Phang Engels.

In addition to the above works, a number of studies by other authors have mentioned aesthetic views in relation to relevant factors in aesthetic science such as: the opinion of the author Dao Duy Thanh for that aesthetic perspective is one of the social institutions that have an intimate impact on the expression of aesthetic taste. He wrote "Although aesthetic taste is personal, judgments and evaluations of aesthetic taste are dominated by aesthetic, political, ethical, and philosophical views", wanting to build Building a good and healthy aesthetic taste needs to pay attention to the relationship as well as the impact from these social institutions.

Talking about the concept of aesthetic point of view, author Pham Quang Trung is one of the few authors to give a specific point of view: "Aesthetic perspective is an integral part

1 Communist Party of Vietnam (2014), Document of the Ninth Conference of the XI Central Committee, Office of the Party Central Committee, Hanoi, pp.49-50.

of the worldview of individuals and society". According to him: "Aesthetic perspective is the generalization of aesthetic needs of society and aesthetic activities of people. Those are the principles of approaching aesthetic phenomena and processes in real life and in art. Therefore, the aesthetic point of view directs all aesthetic activities, especially the artistic activities of the artist". Thus, the author has recognized the aesthetic point of view as a factor that orients, directs and governs all aesthetic activities of people and society.

In addition to the studies that mentioned the aesthetic point of view, the remaining articles follow two directions: one is to recognize the aesthetic point of view as scientific issues: "Aesthetic and epic views in literature" by author La Nham Thin, "Aesthetic thought of Nguyen Du in the work of Tales of Kieu" Master's thesis in philosophy by Le Thi Thuy, "Conception of beauty in ancient aesthetics" by Nguyen Quynh Anh, "From human perspective to aesthetics of Nguyen Dinh Chieu" by Vu Dinh Lien, "Aesthetic perspective of Dac Tam's music towards foreign songs" by Dac Tam, "Beautiful woman from point of view" Vietnamese aesthetics in literature" by Le Thi Minh Huyen..., secondly, recognizing aesthetic views as aesthetic issues in life such as: "Nine aesthetic conceptions in Japanese culture" by Le Thi Minh Huyen. website Viet SSE, "Aesthetic aesthetic horror: "cutting feet" and high heels" of Vietnamnet website, "Aesthetic views of modern architecture" of website noingoaithat.info... In general, new articles are only remind c to the aesthetic point of view as a term to better clarify the research problem, but not to discuss and explain this concept in depth.

Thus, the aesthetic point of view cannot be separated from the advanced value orientations of the times, the purely personal subjectivity really does not exist in the aesthetic point of view. In other words, the aesthetic perspective is a generalization of the aesthetic needs of society and human aesthetic activities. Those are the principles of approaching aesthetic phenomena and processes in real life and in art. Therefore, the aesthetic point of view directs all aesthetic activities, from daily life activities to artistic activities of the artist.

From the above analysis, it can be understood that Aesthetic perspective is a system of judgments, judgments, generalizations and conclusions about aesthetic phenomena, revealing the human's ability to perceive and evaluate with reason. people. It is the crystallization of a combination of individual and community aesthetic activities formed according to certain social value standards in agreement with the conditions of a specific socio-economic form.

The aesthetic point of view is the result of the crystallization of society's opinions and the personal judgments of each individual. The right aesthetic point of view is always associated with a healthy lifestyle, progress, in accordance with the cultural values of the community, meeting the requirements of social development, and harmonizing in dealing with nature. nature, society and people themselves. Aesthetic viewpoints together with philosophical, political, ethical, social views... form a system of human views of the world, helping people to be able to perceive more deeply, humanely, and human. more fully, more fully about the world we live in. Therefore, aesthetic perspective has a great meaning, plays an important role in aesthetic education.

In other words, man has an aesthetic measure associated with his creative history, and the aesthetic point of view is the exclusive product of human society. Although there are aesthetic views with their own personal color, they are all tested by social measures, from which people can

distinguish the right aesthetic view from the wrong, wrong aesthetic view. , forming the national aesthetic point of view. Therefore, the national aesthetic perspective bears the colors of the ideas, opinions, cultural and artistic lines of each country and nation. In terms of our country, apart from the subjective factors of each individual, the aesthetic point of view is inseparable from the viewpoint of the Party's cultural and artistic line.

3. METHODOLOGY AND PROPOSED MODEL

This article mainly uses the secondary literature research method. The data used in this study are mainly secondary data collected from reliable sources. Firstly, secondary data are articles, studies on aesthetic, aesthetic, and artistic perspectives collected from reputable sources, such as specialized journals under the ISI database, Scopus and prestigious domestic journals on the list of the State Council for Professor Titles. Second, secondary data is data, policy documents, reports and plans collected from reputable agencies and organizations. For foreign documents, it is the translations of reputable publishers. For Vietnam, including Documents, Resolutions, Laws, Plans, Decrees, Circulars, Decisions of the Prime Minister... In addition, the article also uses qualitative method by interviewing some researchers. leading research in the field of culture and aesthetics in the country.

Policy text analysis methods, Comparison and contrasting method, and Analytical-synthetic method are main methods in the article, The methods are used to answer the research questions of the article. Firstly, what is the national aesthetic point of view? Second, what is the current state of the relationship between the national aesthetic point of view and economic development? Third, why is correctly identifying the relationship between the national aesthetic point of view and economic growth an important driving force for the country's sustainable development?

In order to clarify how to solve the problem of national aesthetic perspective and sustainable development of the country, the article focuses on clarifying specific issues such as what is the purpose of the national aesthetic point of view? Does economic development necessarily mean economic growth by any means? What is the relationship between national aesthetic views and politics? Specifically, the method of text analysis is used to clarify and identify viewpoints, goals and solutions to solve the problem of ethnic aesthetic views. The method of analysis and synthesis is used to clarify the factors that have a dominant influence on how to solve the problem of the current state of national aesthetic opinion. The method of comparison and contrast is used to clarify and draw out the main similarities and differences in the relationship between national aesthetic views and economic growth, politics and sustainable development.

4. RESEARCH RESULTS

When international integration, the Fourth Industrial Revolution took place strongly, the issue of preserving national aesthetic views becomes more and more important for nations - peoples. A nation-ethnic that preserves its national identity has the conditions to become a strong country, on the contrary, if it loses its identity, it will become a dependent nation. The dependence on aesthetic culture is the short way to economic dependence, which in turn leads to political dependence.

For a country, in order to achieve development goals and meet the material needs of society, it is necessary to have economic growth, material, technical and technological foundations, build

potential power and strength for the nation. It is both a requirement and an objective law of development. Appreciating the importance of economic growth is necessary and right, but for the country's sustainable growth, focusing on economic growth alone will not properly solve the relationship between growth and development. . Because economic growth by itself will not be able to create potential, national strength and will solve other problems, such as society, culture, defense, security...

Here it is necessary to clarify the relationship between growth and development. Economic growth is an economic concept, which refers to the increase in the size of the output of the economy during a certain period. The indicators commonly used to measure economic growth are gross domestic product (GDP), gross national product (GNP) and other aggregate economic indicators. Growth is merely a change in quantity, not reflecting the quality of an economy. Development is a broader, deeper, more comprehensive concept than growth. The connotation of development includes and indicates the quality progress and progress of society in all its aspects and fields, of the harmony between living standards and quality of life, of the quality of life. , human values, including economic growth and the requirement to raise the living standard of the whole people, associated with the level of harmonious and comprehensive development of people, the development of people's aesthetic life. ethnicity. This shows that, from the development requirements, it is possible that there is growth but no development. Thus, even if the material life is increased due to economic growth, it is not yet achieved the highest goal of development, which is to improve the quality of life both materially and spiritually. God. Therefore, if it is only due to economic growth, growth at any price, even sacrificing other aspects, such as ethnic, cultural and social factors, it may lead to direct risks. The next step is to disrupt sustainable development. As a result, in those countries there may be a risk of social conflict, a serious decrease in lifestyle, personality, humanity, and morality, which can cause political and cultural instability. The above judgment is no longer a theoretical issue but has become an expensive lesson for some countries today.

5. DISCUSSION

5.1. Development does not mean economic growth at all costs

Sustainable development is the goal, driving force, and requirement throughout the socio-economic development policies of many countries. Sustainable development does not inhibit the speed and acceleration of movement in a positive direction, but must be achieved in practice with the requirement of "rapid development associated with sustainable development". That is scientific thinking with profound theoretical and dialectical scope, which is summarized and especially emphasized in the document of the 11th National Congress of our Party.

Growth and development for the present and future of the community and the country; but cannot grow and develop in a defiant way such as increasing income in any form, even going against the good aesthetic views of the nation, cultural identities, exhausting natural resources, consumption and emissions exceed the load capacity of the environment. Sustainable development requires a harmonious settlement between immediate and long-term goals, development in the conservation, preservation and enrichment of the nation's aesthetic views, for the current and future human life. for the sake of future generations.

Therefore, in order to fulfill the requirements of sustainable development, it requires first and foremost the synchronous development of all the basic elements of development, important fields of social life and the relationship between the two countries. dialectical relationship between these elements and fields. In the last few decades, public opinion has discussed a lot about the pillars of sustainable development in modern society, ensuring the harmonious and equal development of all fields of socio-economic life. festival. More than 70 years ago, President Ho Chi Minh pointed out that: "In the construction of the country, there are four issues that must be paid attention to and equally respected: politics, economy, and culture. and society" (National Salvation Newspaper No. 8-10-1945). In particular, when besides the positive socio-cultural factors, the issue of aesthetic views in our country today has many complicated and worrying developments. The struggle between true cultural and aesthetic values and the banal and lowly ones takes place more and more fiercely in all forms. In addition to adopting the progressive aesthetic values of humanity, many bad things have crept into people's ideological life. The introduction of foreign culture in the context of the country's deep international integration, although enriching the people's spiritual life, it also makes the value orientation complicated, creating skepticism. about the good values of socialism. These negative aspects have not only aroused lowly views, mediocre tastes, but also have the effect of inhibiting the development of beautiful and healthy aesthetic views, degrading traditional values. has been deeply imprinted in the hearts, feelings and thoughts of our people for generations. Thus, it can be seen that prominently in this period, ethnic aesthetics can be considered as one of the pillars of the country's sustainable development.

5.2. Determining the right relationship between the national aesthetic point of view and economic growth is an extremely important driving force for sustainable development

The national aesthetic point of view belongs to the superstructure, organically attached to the infrastructure, therefore, from the nature and in compliance with the general rules, the national aesthetic point of view is in the economy and is influenced by the national aesthetic. economic movement. Economic development is an important basis to facilitate the development of national aesthetic views, although the development of some areas of aesthetic life has specific characteristics such as the trend of modern tastes, modern aesthetic needs. This universal principle is not an imposition of aesthetic views at all, but rather the social nature of aesthetic views, an objective law of the dialectical relationship between economics and social aesthetic life.

The life of man as well as of society includes both material and spiritual aspects. If the economy is the material foundation of society, meeting the material needs of people and society, then the aesthetic life with national aesthetic views is the spiritual foundation of society, meeting the needs of the society. spiritual needs of people and society. Economic growth is the most important basis and condition for the development of aesthetic life, it has a significant influence on the national aesthetic views; shaping, preserving and developing national aesthetic views is both the goal and the driving force of economic growth. At the same time, economic growth must aim at social development, improving national aesthetic values, and developing people of truth - goodness - beauty. The more productive power develops, the closer the relationship between aesthetic and economic points of view becomes. All economic activities from product design to product exchange and use are deeply imbued with the aesthetic views of the masses, because the entire economic

process is human activities, and people, through their activities establish aesthetic relations between man and nature, between man and man. Currently, economic globalization and the rapid development of science and technology have created conditions for rapid economic development, and changes in economic development have had a great impact on social life. At the same time, economic globalization is also a condition for aesthetic views to have the opportunity to assert their position and influence in society. The society is developing more and more, in addition to the national aesthetic views, the individual aesthetic views are increasingly confirmed to be richer and more unique; Aesthetic tastes and aesthetic sense also have great variations. Therefore, only when economic development decisions and strategies have a high cultural content and are associated with national aesthetic viewpoints will the development be truly valuable.

From the above argument, we can affirm that economic pragmatism is developing in some countries, which is a real danger leading to unsustainable development, decline and degradation. spiritual, aesthetic, ethical, creative fields... Also from the above argument, the inevitable consequence is that the national aesthetic perspective is not only the result of development but also the foundation. of sustainable development, or in other words, the economy does not develop on its own without a social foundation and dynamics. In this era, in economic products, the proportion of gray matter is getting bigger and bigger, holding a dominant position in the quality of products. That means the proportion of aesthetic factors increasingly plays a decisive role. Faced with the increasing demands, diversity and individual tastes of consumers, for many economic products and services, it can be said that if there is a lack of social aesthetics in those products, the its competitiveness will decline markedly. Therefore, today, in the fields of artistic creation, aesthetics such as cinema, painting, industrial art, architecture, fashion, folk art, festivals... are increasingly participating. directly and deeply into economic processes and economic results, deepening cultural factors and values in those products. Up to now, in many countries, linking the social aesthetic point of view, the social aesthetic taste with the economy has become a strategy of sustainable development.

In recent years, people have talked a lot about the cultural industry as a new form of an economic sector, or in other words, it is the result of the process of integrating national aesthetic views in the economy. The film industry, audio-visual industry, publishing industry, entertainment industry, etc. are developing into specific economic sectors, closely linking the views, tastes and needs of society with the needs of society. not only create modern cultural products associated with social aesthetic needs but also create great economic value. It is clear that the trend of production and consumption according to social aesthetic needs according to the mode of industrial production is an objective trend of contemporary society and that is a new feature of the process of mutual penetration of economic and social aesthetic life in the modern period.

5.3. Determining the right relationship between national aesthetic point of view and politics

First of all, political aesthetics is a specific cultural value, a factor that forms the general aesthetic opinion and becomes an important element in the cultural life of society and the nation. Is the national aesthetic point of view, that is, the crystallization of the synthesis of aesthetic activities of individuals and communities formed according to certain social value standards in unity with the conditions of a country. specific socioeconomic status. When it comes to aesthetics in politics,

we want to emphasize the harmony, correctness, authenticity, taste, and needs of aesthetic views in political activities; and that is shown first in the aesthetics in the depth of thought, the intellectual height of political organizations and people on the basis of understanding the movement laws of history, political relations as well as political relations. political institutions to effectively direct and manage social development. As a high requirement of political activities, the aesthetic in politics is evident in political institutions, organizations and institutions.

Aesthetics in politics also show: on the one hand, the role and artistic behavior of subjects when participating in political activities; On the one hand, capacity and art of organization, aesthetic education, persuading the masses to voluntarily participate in activities according to correct political lines, viewpoints and policies. From the above perception, it can be affirmed that a correct and genuine politics must be a very cultural politics, political activities not only ensure correctness, accuracy, transparency but also expressing aesthetics, honesty, harmony and always directing people to the values of truth - goodness - beauty. Therefore, if politics is the opposition to the people, the politics of power, the pursuit of benefits for the ruling powers, it is countercultural politics, contrary to the views of aesthetic education. With that in mind, aesthetic perspective is the factor that creates the strength and persuasion of politics, and genuine politics always takes the values of truth, goodness, and beauty as its core and foundation. Meanwhile, politics and political activities always play a decisive role for a regime and a state. That means, a strong development regime and institution always need the unification between politics and cultural life with the right aesthetic views and tastes. To ensure that unity, attention must be paid to the construction of a political value system. That value system must be the meeting between the Party and the people, in which the Party must listen and filter the legitimate and legitimate aspirations and aspirations of the masses to summarize into the Party's political values. and at the same time making those values the political beliefs of the masses.

6. CONCLUSION

Thus, economic, political and social construction and development must aim at the highest goal, the national aesthetic point of view, towards the values of the truth, the goodness and the beauty, such as democracy and freedom, fair, civilized, people are happy and develop comprehensively. Therefore, the national aesthetic perspective always plays an important role, both in the immediate and in the long term, for the country's sustainable development.

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NATIONAL BUDGET RECONCILIATION FOR COLLECTIVE ECONOMY DEVELOPMENT IN THE PERIOD FROM 2021 TO 2025

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Abstract: *The collective economy, with the core, are co-operative societies, is one of the four critical economic components in the socialist-oriented market economy in our country. The collective economic development is significant in the new period because this is a financial component that attracts farmers, individual financial households, individuals, and many organizations to participate, helping to restructure agriculture, building a new countryside, developing the country in a new direction, suitable with the situation of the economy. Developing and improving the operational efficiency of the collective economy are ordinary tasks of the political system. Therefore, the State may need to determine its role in developing the collaborative economy, and cooperatives are essential. By using the state budget capital, the State needs to allocate state budget capital for joint and cooperative economic development, orient the use of the state budget reasonably and effectively, strengthen inspection and supervision, to avoid waste and loss of state budget resources. From the goals of the Party and the State on developing the collaborative economy and cooperatives, the article focuses on studying the spending of the state budget on joint economic development, cooperatives through supporting policies such as training, promoting trade, applying cutting-edge technology...., thereby it is possible to assess the actual situation of using state budget capital for collaborative economic development, cooperatives and propose some solutions to improve state budget expenditure for collective and cooperative economic development.*

Keywords: *Collective economy, cooperatives, State budget.....*

I. INTRODUCTION

According to Article 4 of the Law on State Budget (Law No. 83/2015/QH13), promulgated by the National Assembly of the Socialist Republic of Vietnam on June 25, 2015, in Vietnam, explains the term state budget. State budget (state budget) is as follows: “*State budget is all revenues and expenditures of the State which are estimated and realized within a certain period decided by a competent state agency to ensure the performance of the functions and tasks of the State.*” State budget expenditure means the distribution and use of state budget funds to ensure the performance of state functions according to certain principles. With that vital function, state budget expenditures have been gradually improved reasonably and effectively the allocation of resources associated with socio-economic development goals in each period over the years. One of the many contents of State budget expenditure, collective economic development (collective economy), is an important goal to encourage the development of collectives and cooperatives

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with the support of policies and programs. The Ministry of Agriculture and Rural Development report said that in 04 years (2017 - 2020), the state budget had allocated support for the collective economy and cooperatives of VND 4,322 billion (2.8 times higher than in the previous year). For the whole period of 2003 - 2007), 39% from the central budget, 49.3% from the local budget, and 11.7 % from other sources).

The collective economy is an economic component including economic establishments in which employees voluntarily contribute capital, do business together, and self-manage according to the principles of centralization, equality, and mutual benefit... The collective economy with various forms of cooperation, the core of which is cooperation based on members' ownership and collective ownership; widely linking workers, production and business households, small and medium enterprises of all economic sectors; unlimited size and location (except for some fields with different regulations); distribution by labor, by capital contribution and service participation level; operates on the principle of autonomy and self-responsibility.

Collective economic development with the core is a co-operative society, is the consistent and cross-cutting policy of the Party and State in the process of nation-building and socialism. As a result, the collective economic sector and cooperatives have affirmed their role in socio-economic development, contributing about 4% of the country's GDP and supporting the economic development of member households account for more than 30% of the GDP of the country) ¹. Although many policies have been issued to encourage and support, the collective economic sector and cooperatives have not met the development requirements. Being one of the four sectors of the national economy (state economy, collaborative economy, private economy, foreign-invested economy) and making significant contributions to support policies from the state budget, cooperative economic development and co-operative society are still contributing very modest. Currently, the Central Government has not arranged a separate budget line for collective and cooperative economic development. Funds to support the economic development of collectives and cooperatives are aligned or integrated from other target programs. This may pose numerous difficulties for state management agencies (state management) at the central and local levels when formulating policies on the economic development of markets and cooperatives. In addition, the allocation of the state budget for collective economic development and cooperatives is not appropriate, mainly focusing on infrastructure. Many mechanisms and policies have been issued but are not suitable for the approach conditions of cooperatives. Moreover, complicated procedures are the root of the obstacles that so many cooperatives and co-operative groups have not been able to access policies and supportive sources of the state.

1 Report of the Ministry of Planning and Investment at the National Conference summarizing 115 years of implementing the Central Resolution 5, IX session on continuing to innovate, develop and improve collective economic efficiency in 2019: Contribution of the collective and cooperative economic sector to the country's GDP accounts for about 4%, excluding the indirect contribution of the collective and cooperative economic sector to the individual and household economy. (accounting for over 30% of the country's GDP).

2. LITERATURE REVIEW

Currently, there are many studies related to the State Budget, Collective Economy, and Cooperatives in Vietnam.

Tran Quoc Vinh (2009) in his research on innovation in local budget management in the Red River Delta provinces has systematized the fundamental theoretical concepts of local budget management from definition, principle to content of local budget management. The study has analyzed 5 objective factors and 6 subjective factors affecting local budget management; has summarized the local budget management experience of other nations in order to be the preference for Viet Nam practicing.

To Thien Hien (2012) in the study "Improving the efficiency of state budget management in An Giang province in the period from 2011 to 2015 and vision to 2020" has clarified the necessity of effective management of the state budget, simultaneously, classified criteria in evaluating the effectiveness of the management of the national budget, which is principled: the annual state budget deficit does not exceed 3%-5% of GDP; In the period of industrialization and modernization of the country, the financing revenue sources into the state budget strives to reach 22%-25% of GDP; Public debt is limited not to exceed 6% of GDP; The annual increase in budget revenue increased from 3%-5% compared to the previous year; Recurring expenditures are only limited in the ability to collect state budget; Development investment expenditures can be borrowed domestically or abroad according to the principle of proper use and sustainable efficiency.

Similarly, in the research of state budget expenditure management, many studies by some authors are considerable. Pham Ngoc Dung & Hoang Thi Thuy Nguyet (2008), have analyzed state budget expenditure management refers to the effectiveness of state budget management to be output-based and it is necessary to change the input-based budget management method to the output-based budget management method. In addition, the study assessed the current state of output-oriented state budget management in Vietnam from which some solutions can be applied to state budget management in terms of institutions, plans, and financial and banking management and developing a monitoring and evaluation system based on results.

The thesis "Management of the local state budget in the context of integration: The case of Hai Duong province" by author Hoang Thi Thuy Ha (2020) has assessed the impact of the integration process on the budget income-expenditure and impact on budget management. The factors affecting budget management are also identified through research.

In the study on the development of agricultural cooperatives in Hanoi, author Thai Doan Tuoc (2018) pointed out issues related to the development of cooperatives, including organizational models, operation; the quality of staff; the ability to produce goods and operate agricultural cooperatives, and the role of the political system of Hanoi city in the development of agricultural cooperatives.

The thesis "Collective economy in new rural construction in Quang Ngai province" by author Phan Van Hieu (2017), also pointed out that the development of the market economy must be placed in the conditions of developing a market-oriented economy. socialism, international integration, trade liberalization and must be supported by the State; attach importance to household

economic development and economic efficiency; resolutely transform old-style cooperatives and develop new cooperatives; The development of the market economy must ensure the solidity and practicality associated with the criteria of rural development.

3. RESEARCH METHOD

This study uses qualitative methods, descriptive statistics based on the data of policies and laws of our country related to the development of collective economy and cooperatives. Along with inheriting research experiences from previous works on accomplishing the state budget expenditure policy for collective economic development, to make important arguments related to the research content.

4. RESULTS

4.1. Promulgating legal documents

In the 2016 - 2020 period, the Government has powerfully and effectively made many vital decisions in promoting collective and cooperative economic development. The Steering Committee for Renovation and Development of the Collective Economy and Cooperatives has drastically directed localities to promote the development of collective and cooperative economies; Party committees and authorities at all levels pay special attention to and focus their efforts to implement synchronously and effectively the 2012 Law on Cooperatives and the Politburo's Guidelines. Precisely, based on Resolution No. 32/2016/QH14 dated November 23, 2016, of the National Assembly on continuing to improve the effectiveness and efficiency of the implementation of the national target program on building developing rural areas in association with restructuring the agricultural sector, the Prime Minister issued Legislation No. 461/QD-TTg dated April 27, 2018, approving the Scheme on development of 15,000 effective agricultural cooperatives by 2020; The Government issued Decree No. 57/2018/ND-CP dated April 17, 2018, on mechanisms and policies to encourage enterprises to invest in agriculture and rural areas. To develop processing and export industries, build raw material zones; organize the Agricultural Restructuring Program, New Rural Construction, and the One Commune One Product (OCOP) Program, creating a "playing field" for cooperatives to cooperate develop, especially cooperatives. Agricultural commune. In addition, the Steering Committee has organized forums to support collective economic development¹. As a result, the collective economic sector and cooperatives have been facilitated to develop quantity and quality. Motion is raised; the proportion of effective cooperatives accounts for 58% of the total cooperatives (55% for agricultural cooperatives, between 50% - 60% for non-agricultural cooperatives). Cooperatives provide economic support to member households, create jobs and incomes for members and employees, and contribute to the country's socio-economic development.

In 2020, the Politburo continued to issue Conclusion No. 70-KL/TW dated March 9, 2020, on continuing to implement the Resolution of the 5th Central Committee of the IX term on continuing to innovate, develop and improve efficiency. Collective economy aims to emphasize the role and position of this sector in the country's overall economic development. Therefore, the

¹ International Cooperative Alliance Legal Forum Asia-Pacific, Cooperative Ministerial Conference Asia-Pacific, OCOP Global Networking Forum, Forum annual cooperative herd...

Government issued Resolution No. 134/NQ-CP dated September 25, 2020, on the Government's Action Program to implement Conclusion No. 70-KL/TW, according to which, each ministry and branch, localities have been assigned specific tasks to remove difficulties, support, and promote the collective economy and cooperatives to develop more and more.

4.2. Results of collective and cooperative economic development in the period 2016 -2020

As of December 31, 2020, the whole country has 119,248 co-operate groups (40,354 co-operate groups in the agricultural sector and 78,894 co-operate groups in non-agriculture), an increase of 10,960 co-operate groups (about 10%) compared to December 31, 2016, attracting 1,665,271 members participating members (on average, a co-operate group has about 14 members). The number of regular employees in co-operate group is about 1,091,015 people, an increase of 2.38 times compared to 2016¹. The average revenue of a co-operate group is 523 million VND/year, up 28% compared to 2016². The average profit of a co-operate group is 84.51 million VND/year, an increase of 1.57 times compared to 2016³. In recent years, the growth rate of co-operating groups has tended to increase, with an average growth rate of 2.44%/year in the 2016-2020 period. The number of cooperatives (cooperatives) by the end of 2020, there are 26,112 cooperatives nationwide, an increase of 6,225 cooperatives (about 31.3%) compared to 2016 (in which the number of cooperatives operating in the field of cooperatives) the agricultural sector is 17,462 cooperatives, the non-agricultural sector is 8,650 cooperatives)⁴. The total number of members participating in the cooperative is over 6.1 million members, a decrease of 410,295 members (about 6.2%) compared to 2016⁵. By the end of 2020, there were 100 cooperative unions across the country (57 unions of agricultural cooperatives and 43 associations of non-agricultural cooperatives), a double increase compared to 2016.

Table 1: Summary of the number of cooperatives, cooperatives, cooperative unions in the period 2016 - 2020

Order	The type of collective economy	Total	Agriculture	Non-agricultural
1	Cooperation Team	119,248	40,354	78,894
2	Cooperative	26,112	17,462	8,650
3	Union of Cooperatives	100	57	43
Total		145,460	57,873	87,587

(source: *Vietnam Cooperative Alliance*)

1 Synthesized from reports of 26/63 localities.

2 Compiled from reports of 41/63 localities.

3 Compiled from reports of 42/63 localities.

4 Non-agricultural cooperatives include 1,182 People's Credit Funds, 4,072 industrial and commercial cooperatives, 1,700 cooperatives GT Transportation, 1,075 cooperatives Construction, 621 cooperatives in other fields.

5 Since the Law on Cooperatives 2012 took effect, the provinces reviewed and dissolved the cooperatives that had been inactive for a long time, had only a name in name, and operated improperly; cooperatives that self-regulate and purge, weak and lethargic cooperatives will be dissolved, or transferred to another more suitable form.

4.3. Assessment of the performance of the collective economic sector in the period 2016 - 2020

4.3.1. Achievements

From 2016 to 2020, the economic situation in the country and the world have mixed advantages and disadvantages, becoming more complicated developments than forecast, affecting the domestic economy in general and the region. The collective economy and cooperatives in particular, such as world economic trend of recovery and development; association and trade liberalization are still the mainstream; the strong impact of science and technology on economic, cultural, and social aspects; Geopolitical and economic competition goes hand-in-hand with international trade tensions, especially at the end of 2020, the last year of the 2016-2020 period, the world had a Covid-19 pandemic, which had an extreme impact on the international economy, including Vietnam. Although stemming from the development needs of the household economy and socio-economic conditions in each locality, a co-operating group was established with various organizational forms, scales, and activities. Co-operate group's activities are mainly aimed at helping and supporting each other in production and life, such as: exchanging production experiences, supporting each other in new seed sources, new techniques, and applying for scientific and technical advances, techniques, and technologies in crop production, animal husbandry, aquaculture, providing information and consuming products, encouraging and jointly building canals, embankments to prevent floods, organizing water pumping and soil preparation, building mutual funds, helping each other with production capital. Co-operate group has many names and forms of operation, such as Service team, loan sister group, assembly hall, trade club ... to support each other in production and business activities.

The cooperative model affects individual economies by creating jobs, reducing costs, increasing selling prices, increasing income, poverty alleviation, and local social security. There is no difference in labor productivity between cooperative member households and non-cooperative members, but there is a clear difference in cost. The cooperative member households sell goods at a higher price than non-cooperative households by more than 10%, and the production cost is reduced by about 25%. Therefore, the income of cooperative member households is about 30% higher than that of non-cooperative members (in Ho Chi Minh City, it is 35.7%), thereby confirming the important role of cooperatives for farmers.

In constructing developing rural areas, agricultural cooperatives play an integral role in implementing planned production, executing criteria to increase income for farmers, implementing schemes and projects in new rural construction, promoting the part of members in implementing new rural construction criteria. Currently, linking production and developing cooperatives is one of 19 new rural construction indicators. About 35.5% of total agricultural cooperatives have connections with enterprises, farmers, and other cooperatives; 54.4% of cooperatives have links to supply input products and services; 21.4% of co-operatives associated with the consumption of output products and services; 13.5% of co-operatives contribute capital to production investment and 10.7% of co-operative society associate with other forms. In particular, Dong Thap province's "Household" model, operating under the voluntary association of farmers to support each other in production and business, has initially been effective and has been learned by many localities (Ben Tre, Kien Giang, Vinh Long...). Cooperatives are gradually promoting their influential support

role for farmers by actively linking with enterprises providing inputs, production techniques, and product consumption, creating outputs for agricultural products.

In summary, in the period between 2016 and 2020, the collective economic sector and cooperatives have step by step get rid of their prolonged weakness, developed in both quantity and quality, and appeared many types of cooperation. The collective economic model is effective, creating people's confidence in the collective and cooperative economic model.

Developing the collective economy and cooperatives contributes to economic growth, stabilizing prices and curbing inflation, increasing export turnover, restructuring the economy, especially the agricultural and rural economy, new rural construction, sustainable poverty reduction, especially in ethnic minority and mountainous areas; develop skilled and high-quality human resources; social stability; encouraging creative start-ups for young workers; making a significant contribution to socio-economic development, rising incomes, and improving people's quality of life, especially the economy of member households.

The cooperatives reorganized according to the Law on Cooperatives; activities towards members, bringing benefits to members, members are more attached to the cooperative. The development cooperatives diversified their fields of activity, having developed several cooperatives in several new industries, professions, and areas such as health, education, environment, science, and technology. Cooperatives are important in providing services and connecting production to tens of millions of households to create products with high productivity and quality and associated with businesses in consumption and processing.

- The number of cooperatives applying modern science and technology to production and business and participating in high-tech agricultural production increases; more and more young, qualified, enthusiastic, experienced, market-sensitive cooperative officials, boldly changing production methods to adapt to the competitive market.

4.3.2. Limitations

In recent years, cooperatives have not developed commensurate with their potential. The number of cooperatives has increased, but the number of members has decreased (in 2020, the number of cooperative members decreased by 410,295 people, about 6.2% compared to 2016), which is the reason hindering the development of cooperatives. Cooperatives, contrary to the development trend of the world¹.

The majority of cooperatives have small members, weak internal capacity, poor facilities, outdated technology, and difficulty to meet production and business tasks in economic conditions. Market. Some cooperatives have re-registered, but the form and mode of operation remain unchanged; production and business activities are still passive and have not yet met the provisions of the Law on Cooperatives 2012. Still valid. The cooperative has ceased to operate, does not exist, but cannot be dissolved due to tax debts, debts to credit institutions, etc.

¹ Netherlands has 2,500 cooperatives with 30 million members (the Dutch population is 17 million, the average Dutch citizen is a member of 1.8 cooperatives); Germany has 5,514 cooperatives attracting 19.7 million members; Thailand has 6,626 cooperatives attracting about 12 million members, accounting for about 17.3% of Thailand's population

The linkage and cooperation between cooperatives are not close, and the efficiency is low. The accounting and financial work of the cooperative has not been strictly and methodically implemented, so the reporting regime of the cooperative is not regular. The development of financial statements, production, and business plans is still limited.

The performance of cooperative unions is still not high. Also stemming from the typical limitations and difficulties of member cooperatives, cooperative partnerships have shortcomings and limitations in capital to operate, small production scale, not yet built up chains. Link production and consumption of products effectively, the limitation of management qualifications as well as the attachment of members who are officials and leaders is not high; The unified linkage among member cooperatives in the production of large quantities of products has not been met, and there is a lack of specific plans, orientations, and plans for production and business activities... The role of connection of the Co-operative Union with cooperatives is still fuzzy.

4.4. State budget spending for collective economic development

4.4.1. Financing

Funds from the Central Budget for collective and cooperative economic development are allocated to localities by the Central Government through specific targeted programs and the Cooperative Development Support Fund, including: directly from the National Target Program on New Rural Development through policies and cooperative development programs such as: Decision No. 2261/QD-TTg on the program to support cooperative development in the period 2015-2020; The scheme to develop 15,000 effective agricultural cooperatives; Integrated capital, from 02 national target programs including the Target Program on Economic Restructuring on Disaster Prevention, Mitigation and Stabilization of People's Life (according to Decision No. 923/QD-TTg) and the National Target Program on Sustainable Poverty Reduction in the 2016-2020 period (According to Decision No. 1722/QD-TTg); In addition, the central budget also provides direct funding to the Cooperative Development Support Fund of the Vietnam Cooperative Alliance.

In addition, to indirect support for the collective economic sector and cooperatives through tax policies and land support, the central budget for economic zones and cooperatives is mainly provided directly by the National Target Program to build new rural areas. The allocation of the central funding for implementation of the National Target Program on building developing rural regions for the 2016-2020 period is made according to the Prime Minister's Decision No. 12/2017/QD-TTg stipulating principles, criteria, and norms for the allocation of state budget capital. Central government budget and the proportion of counterpart capital of the local budget. Accordingly, the Provincial People's Council decides the allocation of central budget capital in the provinces and cities based on the goals and tasks of building developing rural areas in the area proposed by the Provincial People's Committee. The Central Government only sets out orientations for the plan to allocate budget capital for cooperative development support according to Decision No. 2261/QD-TTg on the program to support cooperative development for 2015-2020. 10% of the total central budget capital of the developing rural areas Program to implement other development assistance tasks, programs, and policies (Clause 5, Article 3 of Decision No. 12/2017/QD-TTg). Regarding the plan of development investment capital and support from the assigned central budget: priority

will be given to allocating apart from the assigned central budget to implement several contents to support the development of cooperatives according to Decision No. 2261/QD-TTg. Regarding non-business capital invested from the central budget: To allocate money to execute and implement at provincial and district levels the following contents: support for the development of value chain-linked production (inter-commune scale, inter-district scale); vocational training for rural workers (including agricultural and non-agricultural vocational training); renewing the organization of production in agriculture and supporting the development of cooperatives according to Decision No. 2261/QD-TTg.

4.4.2. State budget spending for collective economic development, through support policies

a) Policy on fostering human resources

The training process of cooperative cadres is regularly concerned by all levels of authorities. From 2015 to 2020, about 271,000 cooperative officials and members were supported in training and retraining (of which nearly 17,000 cooperative officers were invested in training from primary to university) with a total budget is about 276 billion VND (in which the central budget is 134 billion VND). The number of people participating in training and retraining tends to increase gradually over the years. From 1,980 people trained and retrained in 2015 to about 11,000 people in 2020. Staff policies and human resource training have had a positive impact on improving the qualifications of staff and cooperative members. Commune. The proportion of highly qualified cooperative managers is increasing. It is estimated that by 2020, the proportion of cadres with elementary and intermediate degrees will account for 47%, and the number of cadres with college and university degrees will account for 22%.

The program and syllabus of training are pretty diverse, partly satisfying the requirements of the organization, management and production, and business activities of the cooperative, and is adjusted to suit local economic conditions such as: Guiding the content of legal documents on cooperatives, related laws, matters on finance, accounting, organization and management of cooperatives, guiding the formulation of production plans and plans business... Lecturers are invited from many different sources depending on the subject and content of the training. The form of training and retraining focuses on organizing long-term training certification, attending seminars, conferences, seminars, exchange of experiences, learning combined with models and real examples. The training method is flexible; the theory goes hand in hand with practice, hands-on instruction, hands-on instruction to bring the highest efficiency. The training courses have contributed to helping managers in cooperatives improve their organization and administration, step by step do business effectively, improve the quality of weak and average cooperatives, and increase the number of cooperatives. The number of cooperatives is pretty good with diverse cooperative models, suitable business lines, meeting market needs.

Since 2017, localities have developed plans to pilot the policy attracting young cadres to work at the cooperative. Some localities have implemented policies to strengthen cooperatives' professional staff, such as free tuition for university students majoring in economics and engineering with the condition that they graduate and work for cooperatives. At least five years; tuition support for officials, members, and children of members of cooperatives who are sent to universities or colleges with a

commitment to serve the cooperative for at least five years. Some localities have piloted support for a limited time to bring young cadres graduating from universities and colleges to work in agricultural cooperatives through salary support for young staff with qualifications in agriculture. They have been working for the cooperative for 3-5 years. From 2015 to 2020, it is estimated that about 74 billion VND will be supported in salary for about 2,022 technicians and accountants working for agricultural cooperatives.

b) Policy on trade promotion and market expansion

The policy of trade promotion and market expansion has been revised and supplemented to suit the situation of international economic integration, not only limited to cooperatives producing export goods or having projects to promote export goods. Trade promotion that is extended to all cooperatives and unions of cooperatives. Cooperatives and unions of cooperatives benefit from this policy mainly through the National Trade Promotion Program, with a membership of the Vietnam Cooperative Union. The Ministry of Finance issued Circular No. 171/2014/TT-BTC dated 14/11/2014, guiding the financial support mechanism from the state budget to implement the Program.

From 2015 to 2020, there are about 6,736 cooperatives supported in trade promotion and market expansion with a total budget of about 86 billion VND (the central budget contributes 37 billion VND, the local budget is nearly 50 billion VND). In particular, from 2015-2018, the Vietnam Cooperative Alliance was the lead unit to implement four projects within the framework of the National Trade Promotion Program with a total approved budget of about 10 billion VND, supporting hundreds of cooperatives and businesses across the country to participate in international trade fairs and exhibitions in the country and some target markets abroad such as Italy, Germany..., participate in training courses provide training on business skills and access to the domestic market for cooperatives across the country. In 2019, the Vietnam Union of Cooperatives was approved to implement 02 Organizing Trade Promotion Fairs for cooperatives and 05 training courses on business skills and domestic market access for cooperatives with a total budget of more than 2.32 billion VND.

In addition, the Ministry of Industry and Trade regularly updates and reports on trade promotion activities to introduce cooperatives and promote cooperatives' brands on the Ministry's website and the Trade Promotion Agency. Through effective programs and projects (National Brand Program, Vietnam Food Industry Branding Program, Design, and Development Consultancy Program, product development...) have created favorable conditions for cooperation. Cooperatives promote and introduce products and goods to domestic and foreign communities, create opportunities for trade, link business cooperation, expand consumption markets.

c) Policy on the application of advanced science, engineering, and technology

The implementation of policies to support the application and transfer of scientific and technological advances to cooperatives is carried out through the National and provincial Science and Technology Development Fund. In 2015-2020, the whole country had supported 1,476 cooperatives to apply and transfer technology with a total budget of about 196 billion (Central funding 48 billion, local budget 148 billion). Every year, ministries and sectors have coordinated with localities to

implement activities to support cooperatives to apply scientific and technological achievements through the operation of agricultural, forestry, fishery, and fishery extension systems. The Science and Technology Program for New Rural Development and research and development programs are managed by the Ministry of Agriculture and Rural Development. These supports have improved labor productivity, quality, and efficiency of products and created jobs for rural workers.

Formerly 2018, the Ministry of Science and Technology has granted 01 patent, 33 industrial designs, 489 trademarks, and 389 collective marks related to cooperatives, organized 105 training courses/ training with the participation of cooperatives (average 07 courses/year); 116 cooperatives were supported in such matters as dissemination of legal documents and ordinances on goods quality, measurement, protection of consumer interests and the protection of the environment of the State; supporting the application of TCVN, QCVN, application of management system, quality productivity tools, the introduction of regulations on product quality standards to EU, US, Japan...

d) Policies on new establishment and reorganization of cooperatives' activities

The support for new establishment and reorganization of cooperatives' activities is funded by the local budget, with the propaganda, consultancy, support for the establishment of new cooperatives, and the formulation of charters. , production and business plan, organization of the General Meeting, registration of cooperatives.... according to the provisions of Circular No. 340/2016/TT-BTC dated December 29th, 2016, of the Ministry of Finance guiding the level support and financial mechanism to support compensation for human resources of cooperatives, establish new cooperatives, reorganize activities of cooperatives under the Cooperative Development Support Program for the period 2015-2020.

Between 2015 and 2020, the whole country supported 6,597 cooperatives out of 12,837 newly established cooperatives with a total budget of 112 billion VND. The budget from the central budget is only about 5.5 billion VND. Billion VND (accounting for 5%), mainly from the local budget (95% of the total budget). Most newly established cooperatives receive financial support from 5 million to 20 million VND/cooperative, especially in Ho Chi Minh City, which supports 100 million VND/cooperative. Support contents include: Providing information, advice, and training on the cooperative's legal regulations before establishing cooperatives for cooperative founders, consulting on formulating charters and product plans. Business, guidance, and implementation of procedures for the establishment, registration, and organizing the activities of cooperatives, consultants perform procedures to reorganize the activities of the cooperative under the cooperative Law.

e) Policy for investing in infrastructure development

From 2015 to 2020, there are about 2,143 cooperatives supported in infrastructure development with a total budget of nearly 2,087 billion VND. This funding is mainly integrated from targeted support programs whose beneficiaries are cooperatives with commonly invested work items include warehouses, material stores, drying kilns, facilities for purchasing, processing, preserving, and consuming products, irrigation works, intra-field traffic, and working areas. and display products, working offices, slaughterhouses for livestock and poultry; 3-phase power system, electric pump station, ...

The support implementation process follows the guidance in Circular No. 01/2017/TT-BKHDT dated February 14, 2017, of the Ministry of Planning and Investment, guiding the

commune-level investment planning process to implement the national target program. However, there is also a flexible adjustment to the specifics of each locality. Usually, the commune-level of People's Committee is the investor; some places assign the Department of Agriculture and Rural Development, some localities assign the Cooperative Alliance, or directly assign agricultural cooperatives to be the investor.

f) Policy for financing, seeds, and offsprings in disastrous conditions.

This is one of the new policies prescribed under the Law on Cooperatives 2012 for cooperatives in the agricultural sector¹. Accordingly, cooperatives receive timely financial support from the state budget, or quality trees and seeds suitable for local ecology when facing difficulties due to natural disasters and epidemics; support for the crop area damaged by 30% or more; support for livestock damaged by natural disasters, damage caused by dangerous diseases; support for aquaculture and seafood with losses of 30% or more. In 2015-2020, there are 508 cooperatives supported with a budget of 206 billion VND (about 3.5% of the total number of agricultural cooperatives).

g) Policy for product processing

Decree No. 193/2013/ND-CP dated November 21, 2013, of the Government stipulating the use of national and provincial science and technology development funds and non-business funding for scientific and technological research to support cooperatives and unions of cooperatives to innovate and apply technology, but according to the aggregate of localities, no cooperatives have been supported. The Prime Minister also issued Decision No. 68/2013/QD-TTg dated 14/11/2013 on support policies to reduce losses in agriculture. Accordingly, for product processing activities, only machinery and equipment for processing products from agricultural and aquatic waste and by-products are supported; also support warehouse, equipment used to store and preserve rice and corn for household-scale only². Localities have applied current policies such as policies to support science and technology, agricultural extension, policies to support processing and rural industries, etc., to support cooperatives.³. According to reports of the provinces, in the period 2015-2020,

1 Currently, cooperatives are entitled to this policy through Decision No. 142/2009/QD-TTg dated December 31, 2009, Decision No. 49/2012/QD-TTg dated November 8/ 2012 of the Prime Minister amending and supplementing Article 3 of Decision No. 142/2009/QD-TTg); Decree No. 02/2017/ND-CP dated January 9, 2017, on mechanisms and policies to support agricultural production to restore production in areas affected by natural disasters and epidemics; Circular No. 187/2010/TT-BTC dated November 22, 2010, and Circular No. 33/2013/TT-BTC dated March 21, 2013, of the Ministry of Finance stipulating mechanisms and policies to support plant varieties, livestock and aquatic products to restore production in areas damaged by natural disasters and epidemics.

2 Cooperatives, cooperative groups, individuals, and households are supported with 100% of loan profit at commercial banks in the first two years, 50% in the third year for long-term loans. Short-term, medium-term, and short-term in Vietnam dong to buy machinery and equipment to reduce losses in agriculture.

3 Ha Tinh province supports VND 5,010 million for 34 cooperatives; Quang Tri province integrates support policies for 04 cooperatives in the field of preliminary processing of agricultural products (including rice milling machines; factories and equipment for initial processing of agricultural products). Can Tho city integrates ACP policies and projects to support 02 cooperatives to build warehouses over 5,000 million VND; supporting 03 cooperatives for producing safe vegetables with preliminary processing equipment over 75 million VND; An Giang province integrated into the ACP project to support 03 agricultural cooperatives with the amount of about 15 billion VND to build houses warehouses, drying kilns, combine harvesters; Quang Ninh province has supported ten cooperatives with a total budget of 5,032.7 million VND, and also implemented the project "One commune, one ward" with 36 cooperatives participating, the total support budget is 1,557, 4 million dong.

about 1,600 agricultural cooperatives are supported with 398 billion VND, of which the support from the central budget accounts for 94%.

In addition, other policies to support cooperatives such as credit, access to capital and the Cooperative Development Support Fund, land, facilitating participation in socio-economic target programs, tax incentives, fees... are also taken into account in implementation by ministries, branches, and localities and achieved specific results.

Table 2: Total budget expenditures for implementation of preferential and supportive policies for cooperatives

Unit: Billion VND

Order	Contents of Policy	Total cost	Central Funds	Local funding
1	Training human resources	276	134	142
2	Trade promotion, market expansion	87	37	50
3	Application of science, engineering, and new technology	196	48	148
4	The new establishment, reorganization of cooperative activities	112	5.5	106.5
5	Support investment in infrastructure development	2,087	0	2,087
6	Support capital, like when facing difficulties, natural disasters, epidemics	206	206	0
7	Support product processing	398	374	24
Total cost		3.362	804.5	2,557.5

(Source: Vietnam Cooperative Alliance)

4.4.3. Limitations in state budget spending through policies to support collective economic development.

The support capital is small, there is a lack of resources to implement the policy. The funding source to support the collective and cooperative economy is mainly the National Target Program on building developing rural areas, granted by the central government. The Central Government has not stipulated those localities must allocate the minimum annual capital to develop the collective economy and cooperatives. As a result, preferential and supportive policies are issued, but there is a lack of resources to implement the policy. Very few cooperatives and co-operate groups are supported by the state budget through policies issued by the province.

The policy to support collective and cooperative economic development has not been widely disseminated to all cooperatives, co-operate groups and people. Due to not fully and timely grasping the guidelines and policies of the State, some places still have perceptions that are not true to the spirit of the Party and State.

Many policies to support the collective economy and cooperatives are not fair among localities and beneficiaries. The provinces seem to only care about supporting cooperatives, not paying much attention to many cooperative groups. Funding for the implementation of economic support for collectives and cooperatives under Decision 2261 is mainly arranged from the National Target Program to develop rural areas, so agricultural cooperatives are based in the wards and towns. The town is not supported for infrastructure investment. While these are cooperatives with

favorable positions to develop product consumption, connect raw material areas, build preliminary processing and processing facilities.

The policy of encouragement and support still has many drawbacks and is not suitable to implement the policy. Typically, the policy to support infrastructure investment, to enjoy the support for infrastructure investment according to the provisions of Circular No. 15/2016/TT-BNNPTNT, the cooperative must have at least 1 out of 3 the year before the time of requesting support has a turnover of at least 1 billion VND/year; or cooperatives must have a service area of at least 50 hectares to support irrigation and in-field traffic works. These conditions make it impossible for cooperatives in remote and isolated areas, areas with difficult conditions, and newly established and small-scale cooperatives to be unable to access policies. Cooperatives have difficulty accessing credit because they do not have collateral; or fail to develop clear and feasible production and business plans or investment projects; the financial and accounting bookkeeping system lacks transparency; Cooperatives operate inefficiently, leading to credit institutions do not trust them to lend money. Land policy for cooperatives is challenging to implement; The grant of land use proper certificates without collecting money is not interested in the cooperative because the cooperative cannot mortgage to approach a bank loan.

The cooperative has not been assigned as an investor in several infrastructure projects to improve the efficiency of capital use and create jobs for employees in the cooperative. Many cooperatives said that the local government should assign the cooperative directly to be the investor of the work items for which the cooperative is supported. The reason is that the cooperative itself had to have 20% counterpart capital for the project. On the other hand, investment works such as (warehouses, drying yards, technology transmission facilities, etc.) will be directly operated by the cooperative in the future, so the cooperatives should be allowed to hire the designers actively. Construction implementation will be more appropriate and effective.

The State's public service has not well-supported cooperatives/co-operate groups: Cooperatives/co-operate groups are characterized by categories that the cooperative's manager is the producer, but most of the people who manage the cooperative/co-operate group is a farmer with limited qualifications. Although the Law on Cooperatives allows them to hire directors and technicians with a small operating scale and little profit, many cooperatives are not profitable; cooperatives cannot hire them. Cooperative executives need state support. However, there is no specific regulation on any agency in the state management system to support cooperatives/co-operate groups. Currently, the State is responsible for inspecting and auditing activities of cooperatives to ensure proper operation and transparent financial management. However, in practice, the state is now relaxing for cooperatives/co-operate groups. Auditing activities of cooperatives are almost not implemented. Cooperatives operating in contravention of the Law on Cooperatives 2012, such as members who do not contribute charter capital, cooperatives that do not submit tax reports, are not examined and sanctioned. Besides, in many localities, there is a shortage of staff who can provide good advice and support to cooperatives; capacity and experience of the state management system and service providers for cooperatives have not met the requirements (lack in quantity and weak in quality), especially in mountainous districts, remote areas.

The state management of the collective economy and cooperatives is still overlapping; lack of a system to monitor and evaluate policy implementation results. At present, the assignment

of tasks and responsibilities in the development of collective economy and cooperatives in the locality is still overlapping between the Department of Planning and Investment, the Department of Agriculture and Rural Development, and the Union of Cooperatives. Province, leading to delays in the process of operating and directing the development of collective economy and cooperatives at the grassroots level.

5. CONCLUSION AND POLICY IMPLICATIONS.

In the world of integration, globalization, and diversified development of the economy, cooperatives have numerous opportunities to learn and improve their capacity, receive production technology and technology- new management. Additionally, it is highly recommended to attract foreign investment, substantial partners with core technology. Expand export, especially the export of agricultural products and processed agricultural products, could devise solutions to the problem. Therefore, in the near future, it will help the collective economy and cooperatives develop commensurate with the development of the economy in general.

To boost the collective economy and cooperatives to develop, solutions for allocating state budget resources through regimes, policies, and support for the collective economic sector and cooperatives are essential. A significant issue for the collective economy and cooperatives to operate effectively.

5.1. Solutions on allocating state budget capital for collective and cooperative economic development

Firstly, to promote the planning of economic development society, to review, adjust, improve construction quality policies are relevant to the target beneficiaries of the collective economy, cooperatives, especially in mountainous areas, ethnic minority areas, and areas with particular difficulties such as the ratio of reciprocal capital and production scale of which are lower than that of other regions across the country.

Secondly, localities need to proactively arrange reasonable budget sources, in line with their local revenue and expenditure structure and ensure their local socio-economic development expenditures. Provincial People's Committees need to develop clear criteria for budget allocation for collective and cooperative economic development in the 5-year medium-term plan and the annual plan, prioritizing disadvantaged areas, mountainous areas, areas where many ethnic minorities live.

Thirdly, enhancing and restructuring the mechanism of allocation and assignment of estimates to specialized agencies directly related to the development of collective economy and cooperatives, especially in crucial areas where capital needs to be used large budgets. Simultaneously, there must be solutions to restructure spending on expenses in the collective economy and cooperatives for each field, avoiding spreading subsidies. Finally, it has constantly strengthened inspection and supervision of the use of allocated capital.

5.2. Solutions to effectively use state budget capital to develop the collective and cooperative economy

Firstly, to effectively use state budget capital, it is necessary to publicize the state budget transparently allocated for annual collective and cooperative economic development. The list of priority areas for development needs to be made public to maximize the state budget's effectiveness.

Secondly, the State is recommended to raise awareness about the collective economy and cooperatives especially for managers at all levels, people, and businesses, to understand that developing the collective and cooperative economy plays an essential role in the socio-economic development of the whole country. Additionally, it is the core of agricultural restructuring and new rural construction. Cooperative is the link of farmer households, developing the collective economy, cooperatives do not erode the role of the household economy but also support, develop or strengthen the household economy.

Thirdly, solutions that need to take into account are that improving the legal framework, mechanisms, and policies directly to preferential credit policies, using state budget capital to create conditions for entities in the collective economic sector, cooperatives access the budget capital in the fastest and most effective way.

Fourthly, training for state management and support staff for cooperatives and staff directly managing cooperatives is essential to enhance state management's role in collective economy and cooperation. The State should fully fund these courses.

Fifthly, promoting cooperatives to implement production and business plans, participate in value chain linkages, encourage cooperative owners to take the initiative in participating in production and consumption of value chain linkages. With the state budget capital, it is possible to support enterprises in tax when implementing this production plan partially.

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FACTOR AFFECTING BUSINESS PERFORMANCE – THE CASE OF ENERGY FIRMS ON VIETNAMESE STOCK EXCHANGES

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Abstract: *The study aims to evaluate factors affecting firm performance in Vietnamese by using data collected from energy firms listed on the Hanoi Stock Exchange (HNX), and HCMC (HOSE) covering from 2010 to 2019. The study used fixed effects method, random effects method, and pooled ordinary least squares, feasible generalized least squares, panel-corrected standard errors, and Driscoll-Kraay standard errors in order to select the best model as well as deal with the cross-sectional dependence among firms in the energy industry. The research results confirm that equity-based capital structure, use of tangibility and assets growth have a positive impact on firm performance. In contrast, a higher long-term debt will have a negative and significant impact on financial profitability, besides factors such as firm size, revenue growth, and macro factors have no impact on firm performance.*

Keywords: *firm, energy, capital structure, fixed assets, debt*

1. INTRODUCTION

Vietnam is considered as one of the fastest-growing economies in the world. Since “Doimoi” (economic reforms) in 1986, the country has gradually integrated into the global economy. Simultaneously, maintaining high economic growth, Vietnam has become a medium income economy with approximately per capita GDP of 3521 USD. It has greatly changed the socio-economic lives.

The energy sector is considered as one of the key sectors of the country. In fact, the energy sector plays an important role in contributing to the budget, attracting investment and developing the economy. Experiencing the shock of gasoline price drop in the period of 2015-2017, many businesses in the energy industry were negatively affected. In the context of the Covid - 19 pandemic, the demand of energy in the world in general and Vietnam in particular has decreased, businesses have been sharply fallen into profit losses.

Factors affecting business performance have been carried out in a number of domestic and international studies, typically Abeywardhana (2016) in the UK, Ahmed & Bhuyan (2020) in Australia, Mardones & Cuneo (2020) in Brazil, Chile, Mexico and Peru, Muhammad et al. (2014) in Pakistan, and the studies of Nguyen Thanh Hieu & Nguyen Huu Anh (2020), Tran Trong Huy & Nguyen Thi Ngoc Han (2020), Ngo Thi Thanh Tam (2019), Nguyen Le Cuong & Nguyen Phuong Anh (2020). Specifically, factors affecting business performance, such as capital structure, fixed asset use, company growth, and especially macro factors such as growth, inflation. However, El-

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Sayed (2009) researched in an emerging country of Greece, and concluded that capital structure choice has no impact on corporate financial performance. In addition, Ahmed Sheikh & Zhang (2013) found a negative relationship between capital structure and business performance on Pakistani stock exchange in the case of Pakistani companies that tend to prefer to use more debt in the capital structure, while the company's governance capacity has not been able to adapt to effective loan management, therefore it has reduced the operating efficiency of the business.

Although there have been domestic and foreign studies in order to evaluate factors influencing firm performance, there has not been an in-depth study on the business performance of the energy industry in Vietnam, especially in the context the energy industry has been as a key economic sector of the country. As research by Nguyen Le Cuong & Nguyen Phuong Anh (2020) on securities companies, Ngo Thi Thanh Tam (2019) conducted research at real estate companies, or foreign researches by Ahmed & Bhuyan (2020) at service firms in Australia, Muhammad et al. (2014) at general companies in Pakistan. Carrying out this study, the study assesses the impact of factors affecting firm performance in the energy sector, especially internal factors (capital structure, debt, asset use, fixed assets, revenue and asset growth) and external factors (growth, inflation).

This study is divided into 5 main parts. In addition to the problem statement in the part 1, part 2 discusses previous studies, part 3 describes data collection and building regression equations. In section 4, the study will discuss the research results and section 5 is the general conclusion and recommendations.

2. LITERATURE REVIEW

Enterprises are an important factor in the economy of each country, playing the role of carrying out production and business, creating jobs, and driving the economic development. In particular, the efficiency of enterprises is reflected in the production that is capable of bringing profits to enterprises, strong enterprises, and directly helping economic growth.

Research on factors affecting business performance has been carried out through a number of recent studies. According to Abeywardhana (2016) in research conducted at manufacturing firms in the UK in the period 1998 – 2008, and the author found evidence of negative impact between capital structure and liquidity, positive impact between firm size with financial performance, implying that UK firms should not rely heavily on leveraged debt, and should use equity derived from retained earnings, limiting the use of financial resources from external funding in order to help businesses that have optimal capital costs. Accordingly, the company's investment projects become more feasible, and are able to increase benefits for shareholders.

In a study conducted at service firms in the Australian stock market during the period 2009 to 2019, Ahmed & Bhuyan (2020) argued that Australian firms have a tendency to use long-term debt in its capital structure. In particular, using more debt reduces business efficiency, and simultaneously Australian businesses tend to invest in fixed assets, and this does not bring good business performance for the service industry. In the context of revenue changes, Ahmed & Bhuyan (2020) found a positive effect of revenue growth on business performance, while operating revenue has a positive effect on return on assets, and negative impact on return on equity, indicating that service businesses in Australia have not yet optimized their use of debt leverage. However,

enterprises tend to use long-term debt relatively effectively because long-term debt is invested in business with good profit, confirming that the policy of using long-term debt can have a positive impact on business performance.

Research on companies in Latin America, typically in Brazil, Chile, Mexico and Peru using a panel data to assess capital structure between 2000 and 2015, Mardones & Cuneo (2020) found that there is a positive relationship between growth and firm size on financial performance. Additionally, the study found a positive relationship between equity-based financing and financial performance in Chile. In reality, there are many indicators that can represent business performance such as return on assets, or equity, so the estimated results may differ, as mentioned in the study of Muhammad et al. (2014) in listed companies in Pakistan, the relationship between capital structure and business performance can show various results. Specifically, capital structure has a positive effect on ROA, but the ratio of equity to total assets and the ratio of long-term debt to total assets have a negative effect on ROE. Therefore, implementing appropriate governance from managers will be a decisive factor in business performance. Similarly, there is a negative relationship between short-term debt, long-term debt, and total debt on Malaysian firm's financial performance, as represented by ROA, ROE, and EPS (Salim and Yadav, 2012).

In Vietnam, there have been a number of studies on factors affecting business performance, especially the research of Nguyen Thanh Hieu & Nguyen Huu Anh (2020) on Vietnam's stock market, showing capital structure has a negative impact on corporate profits. In addition, state-owned enterprises have a stronger impact than non-state enterprises, because state-owned enterprises have more advantages in accessing capital, land, and policy support over non-state enterprises. According to research by Tran Trong Huy & Nguyen Thi Ngoc Han (2020), total debt to total assets has a negative impact on business performance, in which the impact on ROE is larger than ROA. Further, Tran Trong Huy & Nguyen Thi Ngoc Han (2020) also confirmed that firm size has a positive impact, tangible fixed assets and total asset growth have a negative impact on business performance. Another study by Ngo Thi Thanh Tam (2019) on the Vietnamese stock market in the period 2014 - 2018 suggested that total debt and short-term debt have a negative impact on financial performance. However, the authors found a positive impact of short-term debt on business performance in real estate firms, showing that real estate industry firms often choose short-term debt to cover working capital in business. Moreover, investing more in fixed assets does not bring more financial efficiency to enterprises while the larger enterprise has more advantages in terms of business, which can bring more profits and efficiency.

3. DATA AND METHODOLOGY

3.1. Data

The study uses panel data for the period 2010 to 2019 collected from the annual financial statements of 30 energy enterprises that are listed on the Hanoi Stock Exchange (HNX) and Ho Chi Minh City Stock Exchange (HOSE). For economic growth and inflation, data are taken from the General Statistics Office.

3.2. Methodology

Research using Stata 15 software, performing regression based on pooled ordinary least squares methods, fixed effects FEM, random effects REM to select the most optimal regression method for the research. Further, the study also uses the feasible generalized least squares (FGLS) to correct the defects in the research model. At the same time, to check the robustness of this study, Driscoll -Kraay standard error and panel -corrected standard errors are also applied.

In this study, the research has investigated factors affecting business performance by multivariate regression estimation based on previous studies of Nguyen Thanh Hieu & Nguyen Huu Anh (2020); Ngo Thi Thanh Tam (2019); Salim & Yadav (2012); Mardones & Cuneo (2020), the proposed regression equation is as follows:

$$Y = \beta_0 + \beta_1 \text{SIZE} + \beta_2 \text{TANG} + \beta_3 \text{EQA} + \beta_4 \text{LTD} + \beta_5 \text{PRA} + \beta_6 \text{PRS} + \beta_7 \text{GDP} + \beta_8 \text{INF} + \mu$$

Table 1. Variables used in the model

Variables	Sign	Research sources
Dependent variable		
Return on total assets	ROA	Nguyen Thanh Hieu & Nguyen Huu Anh (2020); Ngo Thi Thanh Tam (2019); Salim & Yadav (2012); Mardones và Cuneo (2020)
Independent variable		
SIZE	SIZE	Nguyen Thanh Hieu & Nguyen Huu Anh (2020); Ngo Thi Thanh Tam (2019); Tran Trong Huy & Nguyen Thi Ngoc Han (2020); Abeywardhana (2016)
Tangibility of assets	TANG	Ngo Thi Thanh Tam (2019); Tran Trong Huy & Nguyen Thi Ngoc Han (2020); Ahmed & Bhuyan (2020)
Equity to total assets	EQA	Muhammad et al. (2014); Abeywardhana (2016)
Long-term debt to total assets	LTD	Ahmed & Bhuyan (2020); Salim và Yadav (2012); Mardones & Cuneo (2020)
Changes in total assets	PRA	Muhammad et al. (2014)
Changes in total revenue	PRS	Ahmed & Bhuyan (2020)
Economic growth	GDP	Nguyen Le Cuong & Nguyen Phuong Anh (2020)
Inflation	INF	Nguyen Le Cuong & Nguyen Phuong Anh (2020)

Source: Author's compilation

In panel data studies, the research analyzed using fixed effects method (FEM) or random effects model (REM) or pooled ordinary least squares (Pooled OLS). However, the results may occur problems with autocorrelation and heteroskedasticity. To solve these problems, the Feasible Generalized Least Square (FGLS) method will be applied.

According to Pesaran (2004), there are often cross-sectional dependence among enterprises in the same industry. In order to analyze the cross-sectional dependence and heteroskedasticity in the research model, the study uses the standard error test of Driscoll - Kraay (1998) to evaluate the non-parametric method in panel data. In addition, the robustness of the estimated model can be checked according to the panel- corrected standard errors (PCSE), which is more effective in the case of the panel with T less than N.

4. RESULTS AND DISCUSSIONS

4.1. Descriptive Statistics

Table 2. Descriptive statistics

Variable	Mean	Std. Dev	Min	Max
ROA	0.0676	0.0871	-0.2520	0.4162
SIZE	23.3588	5.2118	14.0767	28.8675
TANG	0.4643	0.3332	0	0.9697
EQA	0.4801	0.2300	0	0.9566
LTD	0.2359	0.2117	0	0.7472
PRA	0.0462	0.2609	-0.8416	1.8188
PRS	1.1656	9.4873	-0.9486	139.5039
GDP	0.0631	0.0059	0.0524	0.0707
INF	0.0608	0.0497	0.0063	0.1867

Source: Extracted from the software

Table 2 presents statistical results describing the variables used in the model, including mean, standard deviation, minimum and maximum values. For the return on assets (ROA) variable, the minimum value is -25.20% and the maximum value is 41.62%, indicating that business has lost for a few years, but return on assets have an average result of 6.76% and are positive.

For the variable of firm size, it shows that most of firms are medium and large, a few are small. In terms of tangible assets (TANG), fixed assets to total assets account for about 46.43%, indicating that many enterprises have a very high proportion of fixed assets. For capital structure variable, equity accounted for an average of 48.01% of firm's capital. In addition, long-term debt has an average of approximately 23.59% of capital structure.

In terms of business growth, change in total assets (PRA) has a mean of about 46.2%, standard deviation of about 26.09%, in which the lowest change is -84.16%, and largest change is 181.88%, showing that change in total assets has a large difference between enterprises. As for change in revenue (PRS), average revenue growth value is 116.56%, confirming that energy enterprises have a large revenue growth in the period 2010 - 2019.

4.2. Correlation Matrix

Table 3. Correlation matrix

	ROA	SIZE	TANG	EQA	LTD	PRA	PRS	GDP	INF
ROA	1.00								
SIZE	-0.02	1.00							

TANG	0.10	-0.12	1.00						
EQA	0.49	-0.08	0.02	1.00					
LTD	-0.18	-0.30	0.58	-0.33	1.00				
PRA	0.07	0.07	-0.05	-0.15	0.01	1.00			
PRS	-0.05	0.01	0.06	-0.01	0.01	0.04	1.00		
GDP	0.12	-0.03	-0.01	0.13	-0.04	-0.07	0.01	1.00	
INF	-0.05	0.07	0.01	-0.11	0.03	0.24	0.06	-0.39	1.00

Source: Extracted from the software

When the correlation coefficient of the pairs of variables is less than 0.8, variables do not have multicollinearity (Gujarati, 2004). Table 3 shows that the largest correlation coefficient is 0.58 between LTD and TANG pairs and less than 0.8, there is no multicollinearity problem in the regression model.

4.3. Variance inflation factor (VIF) test

Table 4. Variance Inflation Factor (VIF) test

Variable	VIF	1/VIF
LTD	3.80	0.263505
EQA	3.26	0.306392
TANG	1.75	0.571834
INF	1.27	0.789277
GDP	1.24	0.809096
SIZE	1.20	0.832425
PRA	1.09	0.918551
PRS	1.02	0.982837
VIF mean	2.05	

Source: Extracted from the software

If coefficient of variance inflation factor has a value of $VIF < 10$, the model is considered to have no serious problem on multicollinearity (Nguyen Thanh Hieu & Nguyen Huu Anh, 2020). According to the results of Table 4, the average VIF coefficient is 2.05, and maximum VIF coefficient is 3.80 and less than 10, so there is no multicollinearity phenomenon.

4.4. Results and Discussions

Table 5. Regression results – dependent variable ROA

Variables	Regression coefficients		
	Pooled OLS	FEM	REM
SIZE	-0.0002 (0.001)	0.0332*** (0.0179)	-0.0005 (0.0022)

TANG	0.0502* (0.0195)	-0.1125* (0.0315)	-0.0278 (0.0252)
EQA	0.1476* (0.0391)	0.1031*** (0.0579)	0.1357* (0.0451)
LTD	-0.0924** (0.0462)	-0.1826* (0.0648)	-0.0844 (0.0517)
PRA	0.0587* (0.0201)	0.0337* (0.0138)	0.0425* (0.0142)
PRS	-0.0007 (0.0005)	0.0003 (0.0063)	0.0001 (0.0004)
GDP	0.9098 (0.9296)	0.3155 (0.6348)	0.5655 (0.6526)
INF	-0.0070 (0.1206)	0.1158 (0.0827)	0.0073 (0.0830)
_Cons	-0.0478 (0.0794)	-0.6840 (0.4299)	0.0232 (0.0845)
Test		F = 13.33* (p-value = 0.00) Woodridge = 15.890* Ward = 1.2e+05*	Hausman = 32.49*

Note: *, **, and *** at the 10%, 5% 1% significance level. The Sig. value is displayed in brackets “()”.

Source: Extracted from Stata software

Based on the F and Hausman test, it confirms that FEM is the best model. Based on the test of autocorrelation and heteroskedasticity, it confirms that the model occurs with autocorrelation and heteroskedasticity.

Table 6. Regression results – dependent variable ROA

Variable	Regression coefficients		
	FGLS	PCSE	Driscoll – Kraay
SIZE	-0.0002 (0.0010)	-0.0002 (0.0008)	-0.0002 (0.0009)
TANG	0.0502* (0.0190)	0.0502* (0.0217)	0.0502*** (0.0249)
EQA	0.1476* (0.0382)	0.1476* (0.0155)	0.1476* (0.0224)
LTD	-0.0924** (0.0452)	-0.0924* (0.0266)	-0.0924** (0.0379)
PRA	0.0587* (0.0197)	0.0587* (0.0142)	0.0587* (0.0154)
PRS	-0.0007 (0.0005)	-0.0007 (0.0005)	-0.0007 (0.0008)

GDP	0.9098 (0.9095)	0.9098 (0.5384)	0.9098*** (0.4913)
INF	-0.0070 (0.1180)	-0.0070 (0.0900)	-0.0070 (0.0359)
_Cons	-0.0578 (0.0772)	-0.0478 (0.0526)	-0.0478 (0.0234)
Test	Wald chi2(9) = 100.75 Prob > chi2 = 0.0000	R-squared = 0.3019 Wald chi2(9) = 518.91 Prob > chi2 = 0.0000	R-squared = 0.3019 Prob > chi2 = 0.0000

Note: *, **, and *** at the 10%, 5% 1% significance level. The Sig. value is displayed in brackets “()”.

Source: Extracted from Stata software

Tables 5 and 6 present the regression results. In fact, the fixed-effects regression method has autocorrelation and heteroskedasticity problems, feasible least squares regression method (FGLS) aims to correct defects encountered in fixed-effects regression.

Research results indicate that tangible assets (TANG) have a positive impact on business performance, this result is consistent based on FGLS, PCSE and Driscoll - Kraay methods. Specifically, an increase of 1% of fixed assets will increase business results by 0.05%, which confirms that energy enterprises use fixed assets relatively efficiently to improve business efficiency. This study also contrasts with the study of Ahmed & Bhuyan (2020) for service firms on the Australian stock market. This can be explained that, businesses in the service industry usually do not need to invest much in fixed assets, while in the energy industry, fixed assets are the part of assets that businesses need to invest more for enterprises to carry out business.

The research results also confirm that capital structure favoring equity will bring better business performance to enterprises. Adding 1% of equity in capital structure will increase business efficiency by 0.1476% while capital structure favoring long-term debt will reduce business efficiency. This study is similar to the study of Mardones & Cuneo (2020) in Latin America, because firms with a larger equity are also resilient to shocks in debt market, especially in the context of a volatile business environment, loan interest rates can change greatly, if an enterprise depends on debt, its profit may fluctuate strongly and affect business performance.

The variables of economic growth, inflation, firm size and revenue growth have no impact on business performance. However, total asset growth has a positive impact on business performance. Specifically, an increase of 1% of total assets will increase business efficiency to 0.0587%, which means that businesses that maintain asset growth will maintain business efficiency.

5. CONCLUSION AND RECOMMENDATIONS

Vietnam is a fast-growing country in the region, with an increasing demand for energy, so the development of energy industry is closely linked with economic development of the country, as well as meeting needs of the economy and energy demand. The research uses data from 30 energy enterprises that are listed on the Hanoi Stock Exchange (HNX) and the Ho Chi Minh Stock Exchange (HOSE) in the period from 2010 to the end of 2019. The research uses estimation

methods of fixed effects, random effects, pooled ordinary least squares models, and at the same time uses feasible generalized least squares estimates to correct the defects appearing in the research model. At the same time, to test the robustness of this study, the method of estimating the panel-corrected standard errors and Driscoll -Kraay standard errors, the regression results confirm that an enterprise has large fixed assets in its financial structure will have better business performance. In addition, enterprises with capital structure favoring equity, reducing the use of long-term debt will have better business performance.

To increase business efficiency for enterprises in the energy industry, the research has several recommendations. Firstly, energy enterprises need to invest in fixed assets, which is the foundation for enterprises to have strong financial resources, and often enterprises with large fixed assets are large enterprises, and investment more on the business as warehouses, factories. Secondly, enterprises in the energy industry need to improve their equity, through issuing shares to existing shareholders, inviting new shareholders and especially from foreign strategic shareholders. Equity is often used to invest in long-term assets, especially fixed assets, a business with a strong equity means the ability to invest more in fixed assets and other assets. This investment is sustainable, less affected by factors outside the business. Third, energy enterprises need to improve their ability to manage long-term debt, which is usually a debt to invest in doing business, and develop sustainably.

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PROMOTING THE DEVELOPMENT OF VIETNAM'S PRIVATE SECTOR

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Abstract: *In the last 2 decades, Vietnam's private sector developed quickly, after an one- decade- long starting period, from the announcement of 2 important laws- the Law on private enterprises and the Law on the joint stock companies and companies with limited liability. The sector is currently comprising of diversified forms, from small households, companies with limited liability, joint stock companies to large private corporations or private groups. The sector plays an increasing important role but is facing lots of obstacles. Thus, in order to encourage the private sector and enable its role in the coming years, well coordinated measurements should be conducted by either the Government of Vietnam or the business entities of the sector itself.*

Keywords: *Private sector, economic development, economic policy, Vietnam*

1. INTRODUCTION

Over 25 years of implementing the Party and State's innovation policy, the private sector has been developed throughout the country in many forms, such as: individual business households, limited liability companies, joint stock companies, private enterprise, partnership company. Thereby, the diversity of the private sector has aroused, mobilized and exploited great resources among the people (such as intelligence, capital, labour power, etc., other resources,.) in the country's socio-economic development. Vietnam has repeatedly affirmed that the private sector is an important driving force in economic development; and "*encourage the formation and development of strong private economic groups*" is an extremely important message, in order to arouse the desire to get rich of the whole society. The persistent existence of the individual household and small holder economy during the subsidy period is also a testament to the persistent "endogenous capacity" of the private sector.

However, Vietnam's private economic sector still faces many difficulties such as: limited investment capital (mainly loans), inefficient business structure, etc. Most of the production technologies in the private sector are at an average level, and the machinery and equipment systems are still lacking and outdated. The product design is not diverse enough to meet the needs of consumers. Many enterprises have not focused on branding, have not reached far and ensured their ability to stand firmly in the market. The relationship of cooperation, joint venture in production and business between enterprises is still weak. The business management team is still limited in

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knowledge, experience and management capacity. Labor in enterprises is mostly low-skilled, few technical workers have high qualifications. Many legal provisions on the private sector have not been strictly implemented. Access to business opportunities and social resources is not really equal between the private sector and other economic sectors; intermediate, unofficial costs are higher than estimated. That situation of the private sector requires Vietnam to assess conditions for the private sector in the new context and realise necessary measurements to promote the development of this sector in the coming years.

2. LITERATURE REVIEW

Vietnam is in the process of socio-economic renewal. Achieved results include the increasingly important contribution of the private sector, especially after the renewal of the Party and State's economic development orientation. Wendy Cunningham, Farima Alidadi (2014) indicated in their study "The future of employment in Vietnam: The role of the private sector" that the private sector is a fundamental factor in job creation. To maximize the potential for job creation in a development led by the private sector, it is necessary to identify which sectors of the private sector have the most potential. On that basis, this study suggests a number of solutions such as: reducing barriers to encourage private enterprises to develop, encouraging businesses to move to knowledge-intensive stages of regional value chains. global area.

Meanwhile, Nguyen Dinh Luan (2015) emphasized that it is important to grasp the nature of each economic component and use them most effectively to accelerate the process of economic growth and development. In recent years, the important role of the Vietnam's private sector could be described as follows: (i) Arousing the country's economic development potential, attracting idle capital of the society, optimally using the resources of the country. localities, making significant contributions to state budget revenues; (ii) Promote economic restructuring towards industrialisation and modernisation; (iii) Attracting a large part of the workforce and training new human resources for the labour market, (iv) Contributing to promoting international integration.

The private sector is an economic type based on private ownership of the means of production, associated with the owner's individual labour and wage labour. The private sector is born, exists and develops in certain socio-economic conditions, determined by the level of development of the productive forces. Thus, the nature of this type of economy is based on private ownership of the means of production (To Hoai Nam, 2017).

Nguyen Thanh Son (2017) analyses in the context of deep integration, the private sector has revealed many limitations and weaknesses such as: The growth rate of the private sector tends to decrease; the starting point for development and internal capacity is still low; small scale, low technology level and slow innovation...

Thus, Vietnam's private sector represents a new productive force, one of the driving forces to promote economic growth and develop a socialist-oriented market economy.

3. RESEARCH METHODOLOGY

This study uses descriptive statistical methods, critical analysis and summary of previous studies on the private sector and related research. Data used for analysing and assessing the development as well as weaknesses and obstacles of Vietnam's private sector is cited from official

sources, such as Vietnam Statistical Yearbook (published periodically by the General Statistics Office), reports on socio-economic development of Vietnam in the period 2016-2020 (provided by functional government agencies), research reports of universities, research institutions, national and international non- government organisations as well as proceedings of scientific conferences, seminars and workshops on the topic of Vietnam's private sector.

4. THE CURRENT DEVELOPMENT OF VIETNAM'S PRIVATE SECTOR

In the period of the centrally planned economy in Vietnam, the private sector was remained and played an important role in providing small scale services for individual consumption, especially in repairing household's consumption goods and tools. The main form of business entities of Vietnam's private sector at that time was household's business, which worked mostly as part time business. Its output made a small contribution to the total production of the country. The recovery of that sector started officially since 1986, while the 6th congress of the Communist Party of Vietnam announced its Renewal Policy (Doi moi policy) and recognised the private sector as one of economic sector, which will exist and operate long time in Vietnam. In concretising the policy, at the end of 1990, the Law on private enterprises and Law on Companies with limited liability and Joint Stock Companies were issued. From that time, especially since 2000, Vietnam's private sector speeded up in multiple aspects: the quantity of enterprises, their share on the total country's GDP, their share on the total country's workforce, ...In the period of 2016 - 2020, the private sector is consistently developing, making a large and increasing contribution to the country's socio-economic development (see figure 1).

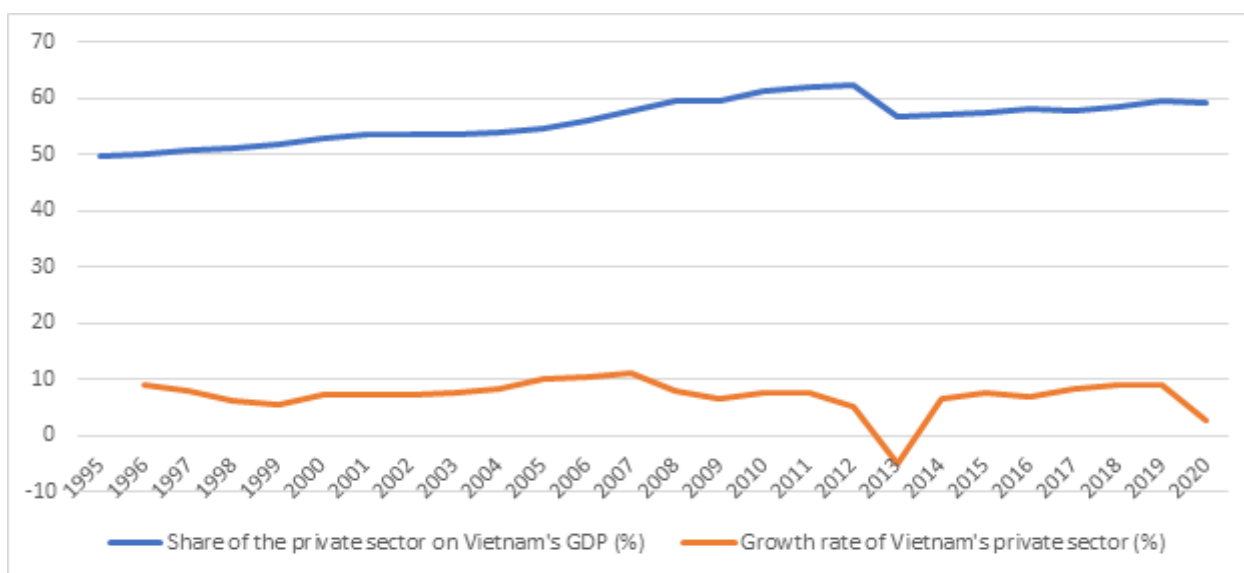


Figure 1: The share of private sector on GDP and the growth rate of Vietnam's private sector in the period 1995- 2020

Source: Statistical Year books of 1998, 2005, 2010, 2015 and 2020

In the period between 2001- 2020, the enterprise quantity grew up usually higher than the country's GDP development (see figure 2).

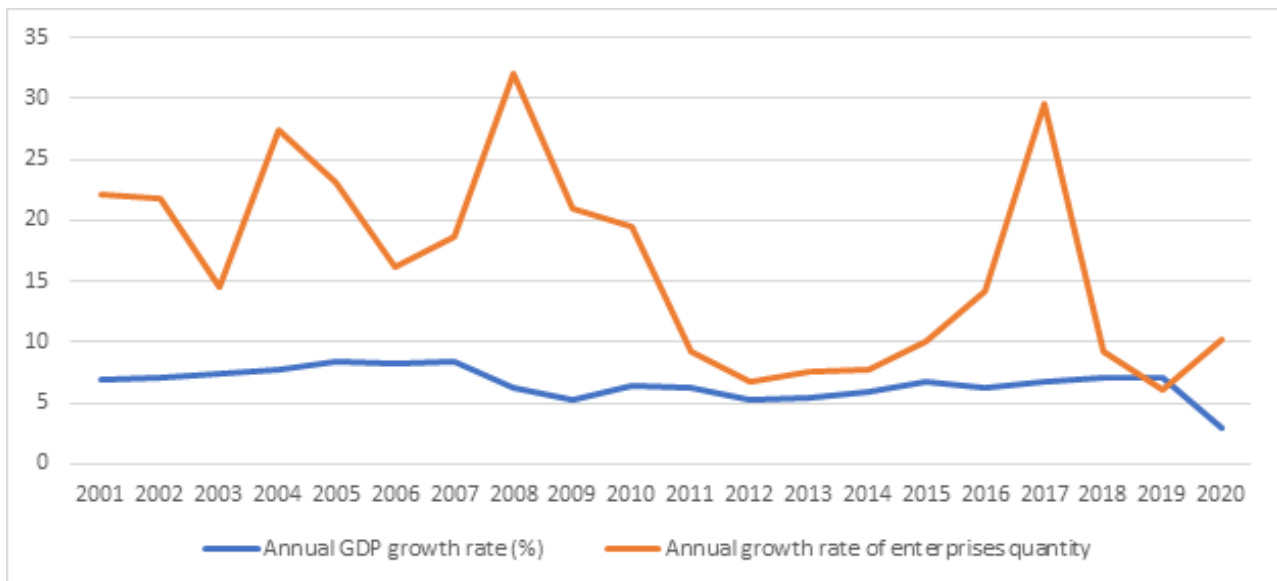


Figure 2: Vietnam's GDP growth rate (%) and the growth rate of enterprise quantity in Vietnam (%)

Source: Statistical Year books of 1998, 2005, 2010, 2015 and 2020

Between 2017- 2020, private sector of Vietnam operated under opposite impacts of many factors. The Covid pandemic led to an additional strong decrease of quantity of business entities which temporarily stop working.

Regarding GDP contribution, statistical data of official functional government agencies indicated that in the past 3 years, the private sector has always accounted for more than 40% of GDP. By 2018, the private sector contributes 42.1% of GDP and this indicator seems to increase continuously. For comparison, during the same period, the share of the state sector was only around 28%, even in 2018 it decreased to 27.6%. Thus, the contribution to GDP of the private sector is currently 1.5 times higher than that of the state sector (see table 1).

Table 1: Contributions of economic sectors on Vietnam's GDP

Sector	2016	2017	2018
State sector	28.81	28.63	27.67
Non state sector	42.56	41.74	42.08
From that: Collective sector	3.92	3.76	
None state enterprises	8.21	8.64	
Households sector	30.43	29.34	
FDI sector	18.59	19.63	20.28

Source: Government's General office for statistics

Regarding job creation, in 2018, the number of employees working in the private sector accounted for 83.3% of the total population aged 15 years and over working in the whole country, equivalent to nearly 45.2 million people. The dominance of the private sector compared to the state sector and the FDI sector is almost absolute.

In terms of development investment and trade, in the two years 2017-2018, the private sector's investment capital grew by 17.1% and 18.5%, respectively, compared to the previous year, higher than the growth rate of the total social investment capital (about 11-12%/year). Accordingly, the proportion of private sector investment in total social investment has increased rapidly and has exceeded 40% (in 2017: 40.6% and in 2018: 43.27%).

The private sector mobilizes large capital sources in the society for economic development. In the two years 2017-2018, the number of newly established enterprises invested a total registered capital of 2.77 million billion VND (excluding nearly 4.28 million billion VND of additional capital of operating enterprises).

According to the Vietnam Socio-Economic Development Report, in the two years 2017-2018, the private sector accounted for 25.3 -26.3% of the total merchandise export turnover and accounted for 34.7 - 34.8% of the total turnover of the import of goods, more than 10 times larger than exports and nearly 7 times larger than that of state-owned enterprises, excluding crude oil.

Regarding budget revenue, state budget revenue from production and business of the private sector increased rapidly over 15%/year, about twice as high as that of the foreign-invested sector. Meanwhile, the state budget payment from production and business of the state-owned enterprise sector grew negatively (2016: -0.59%; 2017: -3.55%; 2018: -26.43 %).

The private sector's contribution to state budget revenue is increasing in Vietnam, too. From 2016 onward, state budget revenue from production and business activities of the private sector only accounted for less than 30% of total revenue from production and business of all economic sectors, lower than the proportion of the state-owned enterprises (up to 11% lower) and the share of the foreign-invested sector.

However, by 2020, this share of the private sector has surpassed the foreign-invested sector and far exceeds (nearly 9%) the state-owned sector. The private sector accounts for over 40% of GDP, but private enterprises are the most important, accounting for less than 10% of GDP (source: <https://hcmcpv.org>). Despite many achievements, in general, the private sector still exists and is limited. Mechanisms and policies to encourage the development of the private sector have many shortcomings, lack of synchronization, the private sector has not met its role as an important driving force of the economy, has a small scale, mainly still household economy, out-of-date technology, insufficient management, limited financial capacity, poor product quality and low competitiveness. The industry structure is still unreasonable and lacks linkages with each other and with other economic sectors. On the other hand, the capacity of Vietnam's private sector on international economic integration is still limited, below requirements of participating in regional and global production chains. Violations of the law and unfair competition are still quite common; business freedom and protection of property rights, access to business opportunities and social resources are not really equal compared to other sectors...

4.3. Difficulties, challenges and limitations of the private sector in Vietnam

As described above, although the private sector has made certain contributions to the country's economy in the last decades, this sector has still limitations and shortcomings, especially the followings:

Firstly, labour productivity of Vietnam's private sector is still low: Although the private sector has the participation of a large number of labour forces, the participants in this economic sector are mainly small businesses, individual business households, ... Their productivity is low because of low quality of technologies and equipments used for the production, because of high percentage of unskilled employees on their total workforce, because of limited production capacity and insufficient investment in realising scientific and technological progresses in their production.

Secondly, the performance of the private economic sector is also very limited. From 2011 up to now, the ICOR coefficient of the private sector has fluctuated from 5-6, this level is basically equal to the ICOR coefficient of the whole economy. However, the ICOR of the private sector is still higher than that of the FDI sector, showing that the investment efficiency of the domestic private sector has not caught up with that of foreign enterprises. The reason is that the private sector mainly operates in low value-added sectors and has not been deeply involved in the global manufacturing chain.

Thirdly, competitive capacity is still poorly. According to the General Statistics Office (2018), the whole country has more than 500,000 private enterprises, the number of small-scale enterprises accounts for 96%, of which, 114.1 thousand small enterprises and 385.3 thousand mini enterprises. Due to their small scale, many domestic enterprises are unable to compete with foreign companies on the international markets and could only under efficiently join the global production network. At the same time, governance capacity and international economic integration are quite under expectations, which also affects the competitiveness of the private sector. On the other hand, the ability of Vietnam's private sector by accessing the credit sources is currently hindered by many factors, which lead to an increase of capital costs and reducing the cost advantages in the competition.

Fourthly, the products portfolio of the private sector in Vietnam is poorly diversified and response slowly to the market's requirements. The industry structure of the private sector is still inadequate when it focuses on commercial activities and services, while only 1% of the investment of the sector were spent for the agricultural sector. In addition, the application of high technology to production is not much, leading to slow change in product structure and industries in accordance with the actual situation. According to the Agency for Enterprise Development by the MPI (2018), the number of enterprises established in the processing and manufacturing industry is much bellow the expectation, often significantly lower than the number of enterprises established in the real estate business.

4.4. Measurements to develop Vietnam's private sector

In order to develop the private sector in Vietnam and making the sector being able to fulfil its role in socio-economic development in Vietnam, comprehensive measurements should be realised in a manner of good and effective coordination, especially the followings:

Firstly, the awareness on the role of the private sector in the socio- economical development of Vietnam should be improved and strengthened. Raising awareness and properly understanding the country's policy on encouraging the development of the private sector is a strategic, consistent and long-term issue in the development of a socialist- oriented market economy. At the same time,

it is necessary to create a unique understanding, a reasonable positioning of the private sector in Vietnam and then, the recognition and affirmation of the contribution of the private sector. Since then, both suspicion and illusion in the development of the private sector should be overcome.

The development of the private sector in Vietnam should go in both ways: either in vertical and horizontal direction to solve common obstacle to the economy as well as to efficiently exploit competitiveness of the sector, to support it by taking its own advantages and opportunities to make benefits from the increasing international integration (encouraging competition and creativity, technological innovation...).

Second, the Government of Vietnam needs to focus on reforming economic institutions in a synchronous manner. Economic institutions should be compatible and comply with international integration commitments (adjustment, improving economic laws in line with integration commitments); defence institutions to protect legitimate interests, minimize adverse impacts when implementing integration commitments (anti-monopoly, protect fair competition, harmonising technology- environment standards, support vulnerable subjects...); supporting institutions to take advantage of opportunities and benefits of international integration (encourage competition, creativity, technological innovation...). The Government also should continuously improve the legal system, with the focus on Investment Law, Enterprise Law, National Defence Law, Militia and Self-Defence Law, etc. to create a stable legal corridor for business entities' operation.

Thirdly, the Government of Vietnam should provide necessary support for the development of private enterprises, specifically focusing on two groups of businesses: start-ups, small and medium enterprises. For start-up businesses, it is necessary to have regulations and policies to support them in term of creating better access on land, capital, technology, administration, etc., and favourable conditions for businesses to be easily established in terms of administration and enter the competitive market, to be able to develop and market new products in convenient conditions.

Small and medium enterprises build the most dynamic component of the private sector in Vietnam and provide an important contribution to the socio-economic development of the country. However, it is also a vulnerable area and needs specific supports, which should be clearly regulated by law, removes all burdens of informality, is easily accessible, and allows efficient exploitation of national resources.

Fourthly, along with encouraging the development of the private sector, it is necessary to accelerate the renewal, arrangement, consolidation and development of the state sector, the cooperative and cooperative economy, so that the state sector can do the work. Under the condition that the leading role of the state sector, together with the collective economy, is increasingly becoming a solid foundation of the national economy, it is necessary to further strengthen the State's management of the private sector in order to play a positive role and effectively prevent negative movements of the private sector; to make the development of the private sector really a factor that increases the strength of the whole people to defend the fatherland.

Fifthly, it is necessary to continue studying the expansion of self-defence organizations in private enterprises in order to practically establish the all-people defence posture throughout the country. To do that, first of all, it is necessary to pay attention to the development of socio-political

organizations: parties, youth unions, trade unions in private enterprises and legalize their activities in these enterprises.

The private sector has made many contributions to the country's socio-economic development, making an important contribution to mobilizing social resources for investment in production and business development, economic growth, and restructuring. economy, increase state budget revenue, create jobs, improve people's lives, and ensure social security. However, the growth rate of the private sector has tended to decrease in recent years, so it is necessary to have breakthrough policies, especially policies on capital, investment, tax and scientific support. learning technology so that the private sector will really become the driving force of Vietnam's development in the coming time.

5. SOME IMPLICATIONS ON IMPROVING THE POLICY ON DEVELOPING VIETNAM'S PRIVATE SECTOR

In order to develop the private sector and promote their role in socio-economic development in Vietnam, in the coming time, it is necessary to complete the State's policies in the following directions:

Tax incentives should be changed in order to support the development of the private sector, with a focus on supporting the development of small and medium enterprises. This point of view is proposed to be implemented in accordance with the guidelines of the Law on Supporting Small and Medium Enterprises. In the immediate future, it is necessary to reduce the corporate income tax rate of small and medium enterprises based on the size of the enterprises (revenue, number of employees); the tax rate should be reduced to 15%-17%, equal to the preferential tax rate applied to new investment projects in areas with difficult socio-economic conditions, agricultural product processing, fisheries, ensuring incentives for small and medium enterprises.

The private sector should be supported financially so that they can promote the application of scientific and technological advances to production and business in order to increase production value and improve competitiveness. The experience of some countries shows that it is necessary to study the implementation of monetary support, tax exemption for the construction of research infrastructure, research equipment and research human resources. At the same time, it is necessary to increase the maximum deduction for the Science and Technology Development Fund in enterprises compared to the maximum deduction of 10% of taxable income. This is a measure to encourage businesses and individuals where it is difficult to access capital for investment in science and technology development. develop credit programs and packages with reasonable interest rates. To further promote the activities of the Development Fund, the Credit Guarantee Fund, the Innovative Start-up Investment Funds, etc. needs also to expand the capital support channel for businesses, especially the implementation of Decree No. 34/2018/ Decree-CP on the establishment of credit guarantee funds. At the same time, Government supports should be guaranteed to the private sector businesses so that this sector is able to access other forms of capital mobilization such as financial leasing, bond issuance, international debt, credit through microfinance institutions, raising financial awareness of individual economy and micro enterprises.

In addition, the operation of funds to support the development of private enterprises should be strengthened. In recent years, a number of funds to support the development of private enterprises

have been established, especially the Fund for Development of Small and Medium Enterprises. However, from 2016 to now, only the Small and Medium Enterprise Development Fund operates very weakly. The Fund's total capital is in 2017 only 570 billion VND, the maximum loan value was not more than 10 billion VND. Therefore, it is necessary to adjust the Decree and Circular on the Fund and increase its capital to 2,000 billion VND as planned. Along with that, it is necessary to have policies and support to establish the local Fund to support the development of private enterprises besides the Government's Small and Medium Enterprise Development Fund, focusing on the industrial sectors. manufacturing, agriculture, etc., in order to restructure industries in the private sector.

Functions and tasks of state management agencies in the fields of operation of the private sector should be reviewed and adjusted, too. The purpose of this action is to rationalize the functions and tasks of the management agencies in managing and supporting the economic sector as a whole. These functions must be demarcated to ensure mutual control in order to avoid abuse of power in management, but to avoid overlapping and "disorder" in the performance of management tasks. In this process, the Government should ensure the consistency between functions, consider the implementation plan carefully so that tasks and performance capacity of agencies could be rationalised without having to reorganize too much, which could cause big and sudden consequences during the transition.

The Government should, on the other side, continue to supplement and perfect the system of documents, regulations and policies for the private sector. First of all, it is necessary to systematize to fully and clearly identify the Government's policy on the private sector, on that basis, to review and detect the inconsistency, inadequacies and asynchrony between the two countries. policies towards the private sector. This is very necessary because currently the issued regulations are very much in quantity, but still incomplete, issued by many different agencies and organizations according to their functions, while no agency has fully grasped, updated, linked them together and evaluated them in a comprehensive and scientific way, especially their combined impact on the development of the private sector.

6. CONCLUSION

In the last years, the private sector in Vietnam has undergone contradictory conditions. In its development process, the private sector has achieved certain achievements in many fields. The sector provides valuable contributions to the socio- economical development of the country, which is recognised by the community as well as by the Party's and Government's leaders. However, the capacity of this sector was not fully, and more important, not sufficiently enough exploited. This fact demonstrates challenges not only to the Government of Vietnam, but also to the private sector itself. The development and improvement of the private sector's position in Vietnam's socio- economical development is surely a central point in Vietnam's development strategy for next decades. However, the increasing international cooperation as well as the global integration push the sector to develop more quickly and more efficiently on one side, create difficulties and barriers for its development on the other side. In such conditions, the Vietnam's private sector should provide its own efforts, but the Government of Vietnam should support the sector in diversified and effective ways.

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PRIVATE ECONOMIC SECTOR - IMPORTANT DRIVING FORCE OF ECONOMIC GROWTH, ECONOMIC DEVELOPMENT

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Abstract: *In recent years, the private economic sector has continuously grown, affirming its important role as a driving force in the innovation and socio-economic development of the country. In addition to the achieved results, the private sector also faces difficulties and challenges due to internal limitations and inadequacies of the economy in general and the private sector in particular. With an aim to find the solution of the question how to make the private sector really become an important driving force of Vietnam's economy, the article focuses on analysing the achievements of the private sector, pointing out the limitations that affect the important driving role of the private sector, thereby proposing some solutions to make the private sector become a truly important driving force of Vietnam's economy.*

Keywords: *Private sector, the role of the private sector, private economic development*

1. AWARENESS ON THE ROLE OF THE PRIVATE SECTOR

The private sector is the part of the economy that is run by individuals and companies for profit and is not state controlled. Therefore, it encompasses all for-profit businesses that are not owned or operated by the government. The private sector is an important component of the national economy.

The private sector includes the individual economy, the small business owner and the private sector. Individual economy, small owners are based on the form of small private ownership of material production.

The difference between the individual economy and the local smallholder economy lies in the fact that for the individual economy, main source of income is from the labour and capital of owners and their families. Meanwhile, for small business owner, although there is still reliance on the labour and capital of owners and their families as source of income, the owner also hire labour.

The private sector is based on private ownership of the means of production and exploitation of hired labour.

Before “Doi Moi”, Vietnam implemented a centrally planned economy. The state decides all economic activities, allocates inputs and distributes outputs. There are two economic components in the economy: state economy and business. Private property is considered to be the source of capitalism, so that the existence of private and individual property is inhibited from development. The private sector is the object of socialist reform. Farmers, craftsmen, and small traders were brought

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into cooperatives; Private enterprise capital was transformed into public private partnership. Private sector in the sense that private enterprises are almost non-existent. People doing the private sector are considered bourgeois, petty bourgeois.

The real and core innovation is the development of a multi-sector economy in order to attract society's resources for economic growth and social development. Therefore, from the "Doi Moi" until now, our Party and State's views on the role of the private sector have changed. The Party and State have been aware of the position and role of the private sector in the policy of developing a multi-sector economy. As a result, the private sector is constantly growing, becoming one of the main factors creating economic growth.

Resolution of the 5th Central Committee, class IX was issued with the topic "Continuing to renovate mechanisms and policies, encouraging and creating conditions for the development of the private sector". After the X Congress (2006), when the private sector was officially identified as an economic sector encouraged to develop, without any restrictions on the scale.

Then, the Resolution of the 5th Central Committee (term XII) affirmed: "The private sector is an important driving force for economic development. The state economy, the collective economy together with the private sector are the core to develop an independent and self-reliant economy." The role of the private sector has been raised, as an important driving force for economic development, the core of the economy, next to the state economy and the collective economy, instead of being just one of the driving forces of the economy as before.

In "Socio-economic development strategy for the period 2021-2030", our Party has determined the following objectives: "Strongly develop the private economic sector of the Vietnamese people in terms of quantity, quality, efficiency and sustainability, to become a truly important driving force in economic development. Eliminate all barriers and prejudices, create all favourable conditions for private economic development; support the private sector to innovate, modernize technology and develop human resources, improve labour productivity. Encourage the formation and development of large private economic groups with strong potential and regional and international competitiveness. Set a goal that by 2030, Vietnam would have at least 2 million enterprises with the proportion of the private sector's contribution to GDP reaching 60-65%. In which, remove barriers and prejudices, create all favourable conditions for private economic development; support the private sector to innovate, create, modernize technology and develop human resources, improve labour productivity. Encourage the formation and development of large private economic groups with strong potential and competitiveness in the region and internationally; set a goal to strive that by 2030, there will be at least 2 million enterprises with the proportion of the private sector's contribution to GDP reaching 60%-70%."

Accordingly, along with the "Doi Moi" process, the perception of the role of the private sector in Vietnam has witnessed an important change. From being stigmatized and overlooked, the private sector has been recognized as "a one of the driving forces" and to date "an important driver" for the development of a socialist-oriented market economy in Vietnam. It's a big step forward in economic thinking.

2. ACHIEVEMENTS OF THE PRIVATE SECTOR

In recent years, especially since the implementation of the Resolution of the 5th Central Committee, class XII "On developing the private sector to become an important driving force of the socialist-oriented market economy", the private sector People in Vietnam have been constantly developing, contributing more and more to the cause of innovation and socio-economic development of the country and are becoming the driving force of economic growth.

The important role and driving force of economic growth and economic development are shown below:

Firstly, the private sector contributes significantly to economic growth and state budget revenue.

From 2015-2020 the private sector generates 42.5% of GDP. Particularly in 2020 in the context of the COVID-19 pandemic, the private economic sector generates 42.48% of GDP, while this rate of the state economic sector is 27.26%, the foreign-invested economic sector outside is 20.13%.

According to calculations, if private investment (excluding individual business households) increases by 1%, it will help Vietnam's GDP in 2020 grow by about 0.15 percentage points. Among them, many private enterprises have become «leading cranes», leading in innovation and application of science and technology in the economic development of the country.

In 5 years (from 2015-2020), Vietnam's economy is known to the world through the names of private corporations such as Vingroup, Sun Group, T&T Group, Thaco, Vietjet, TH True Milk, Masan... Many private enterprises have achieved export turnover of millions of USD, making important contributions to growth, budget revenue and job creation, ensuring security and society. Statistics show that 29 Vietnamese enterprises have a market capitalization of more than 1 billion USD.

Along with its contribution to economic growth, the private sector has contributed significantly to the revenue of the State Budget. In 2020, the private economic sector contributed to the State budget revenue of VND 247104 billion, accounting for 16.39% of the total revenue of the State budget, while that of the state-owned enterprise sector contributed 148209 billion VND (accounting for 9.83%).

This shows that, when the economy is greatly affected by the COVID-19 pandemic and extreme conditions of natural disasters, the private sector continues to show its role as an important driver of economic growth. *Therefore, the State needs to continue to have mechanisms and policies to promote and sustainably develop this important driving force.*

Secondly, capital from the private sector accounts for an increasing proportion.

The proportion of investment capital of the private sector has increased over the years from 21.4% in the 1996-2000 period, to 32.5% in the 2001-2005 period, to 36.1% in the 2006-2010 period, to 38.1% in the period 2011-2015, continued to increase to 39% in 2016, and to 43.8% in 2020. In 2020, in the context of the Covid-19 pandemic, with an investment capital ratio of 44.9%

of the country's total investment capital, the private sector continues to be an important source of investment capital in the economy.

While the amount of investment capital of the private sector has increased over the years, it is more important that the investment efficiency (expressed in ICOR coefficient) of the private sector in many periods is the highest among the three sectors, and higher than the overall investment efficiency of the entire economy.

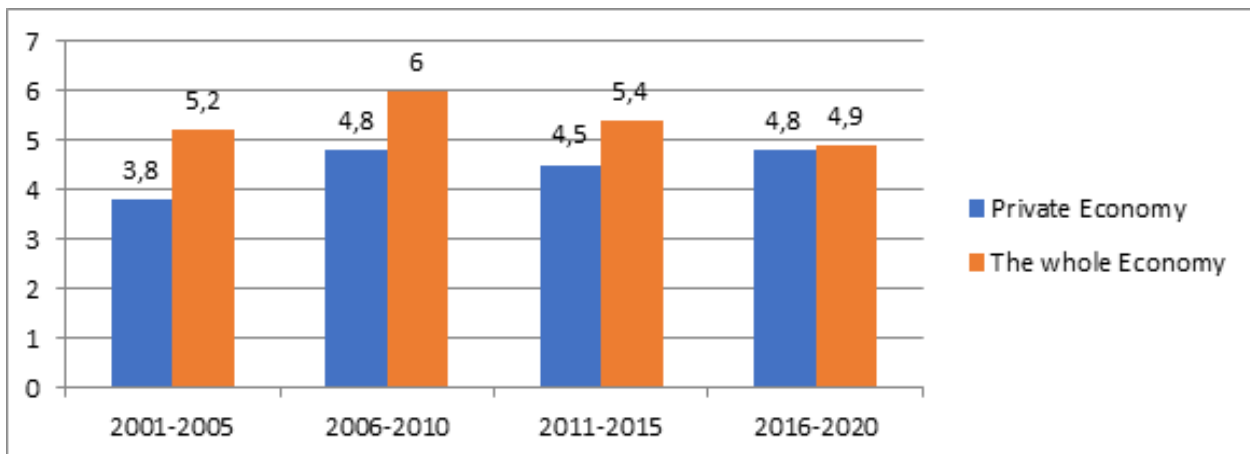
ICOR reflects how much investment capital must be invested in order to create a GDP at constant prices. If the ICOR is high and increases, the investment efficiency is low and decreases; if ICOR is low and decreasing then investment efficiency is high and increases.

For the whole economy, this coefficient in the 1996-2000 period was 4.7 times, in the 2001-2005 period to 5.2 times, in the 2006-2010 to 6 times, in the 2011-2015 period to 5.4 times. In the period 2016 -2020, this coefficient is 4.9 times.

For the private sector, in the period 2001-2005 the coefficient was only 3.8 times, in the period 2006-2010 it increased to 4.8 times, in the period 2011-2015 decreased to 4.5 times, then in the period 2016 -2020 increased to 4.8 times.

Table 1: ICOR coefficients of the private sector and the economy over time

Unit: times



Source: Statistical Yearbook- GSO

Second, the private sector plays an important role in creating jobs for workers and developing the labour market.

Working labour of the private sector has accounted for the highest proportion in the entire economy, which means that this sector has created the most jobs for the whole society. As of 2020, the total number of employees working in the private sector was 44777.4 thousand people, accounting for 83.6% of the total workforce of the country. Meanwhile, the number of employed workers in the state sector is 4098.4 thousand people, accounting for 7.6%. That of the foreign-invested economy is 4733.8, accounting for 8.8%.

Table 1: Proportion of working laborers by economic sector from 2000 to 2020*Unit: %*

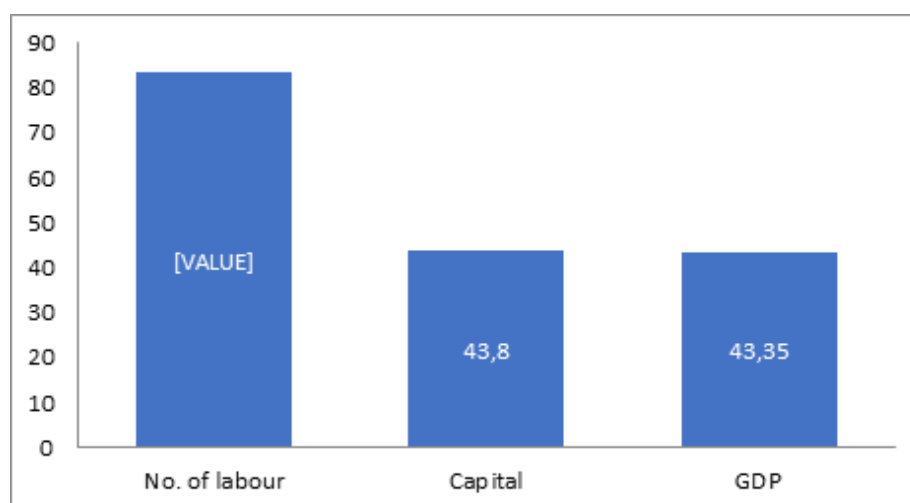
	Government	Personal economic	Areas with foreign investment
2000	11.7	87.3	1.0
2005	11.6	85.8	2.6
2010	10.4	86.1	3.5
2015	9.8	86.0	4.2
2016	9.8	85.8	4.4
2017	9.6	86	4.6
2018	8.3	83.3	8.4
2019	7.7	83.6	8.7
2020	7.6	83.6	8.8

Source: Statistical Yearbook- General Statistics Office and author's calculations

The private sector has attracted a large, diverse and abundant labour force in both quantity and quality, from manual labour to high-quality labour in all regions and regions of the country, in all classes of the population... Thus, the private sector plays an important role in solving this problem.

In addition, the developed private economic sector has contributed to the formation and development of the labour market, increased the initiative and dynamism in job search, and contributed to the increase of the market economy of the economy. On the other hand, this has contributed to the training of skilled and industrial workers, meeting the requirements of the innovation career and the requirements of international integration.

Thus, the proportion of: number of employees, investment capital, GDP and the contribution to state budget revenue of the private sector in recent years, shows that the proportion of the private sector much higher than the respective proportions of the state economic sector and the foreign-invested economic sector. With this higher proportion, the increase/decrease rate of the private sector has a great impact on the growth rate of the economy in terms of corresponding indicators. It also confirms the role as a driving force of the private sector in Vietnam today.

Unit: %**Figure 2: Proportion of the private sector in terms of labour, investment capital and GDP in 2020**

3. DIFFICULTIES AND CHALLENGES AFFECTING THE IMPORTANT DRIVING ROLE OF THE PRIVATE SECTOR

In addition to the achieved results, the private sector also faces difficulties and challenges due to internal limitations and inadequacies of the economy in general and the private sector in particular, such as:

Firstly, the level of technology, management, financial capacity, product quality and competitiveness are low, and the scale is small. Notably, up to 97% of private enterprises have small and micro scale, low technology level and slow innovation, low financial capacity, labour productivity, and business efficiency; management level, weak linkage, low ability to participate in domestic and international value chains.

Secondly, the industry structure is still unreasonable, lacking links with each other and with other economic sectors. Currently, up to 81% of the capital invested in the field of trade and services, while only 1% invested in agriculture. The number of enterprises privatization in the field of production, processing, manufacturing is still very small.

Thirdly, the private sector accounts for a small proportion and grows slowly, while the individual economy accounts for a large proportion. The internal strength of the private sector is still weak, mainly in the household economy and the individual economy. In 2020, the household economy and the individual economy account for 33.16% of GDP while other parts of the private sector account for only 9.65% of GDP.

Fourthly, capacity for international economic integration is still limited, not meeting the requirements of participating in regional and global production value chains. Many private enterprises cease to operate, dissolved and became insolvent.

Fifthly, violations of the law and unfair competition in the private sector are quite common. The situation of law violations and unfair competition, production and business causing environmental pollution, unsanitary and unsafe food, commercial fraud of the private sector is increasing, the level of increasingly serious and complex.

Sixthly, there are negative impacts of the COVID-19 epidemic. Among the groups of businesses, the subjects most negatively affected are new businesses that have been operating for less than 3 years and small and supersized enterprises. small. Many private enterprises cease to operate, dissolved and became insolvent.

4. UNDERLYING REASONS OF LIMITATIONS OF THE PRIVATE SECTOR

Firstly, mechanisms and policies to encourage the development of the private sector are still inadequate and inconsistent. The innovation and results of implementation of guidelines and policies on encouraging the development of the private sector are still limited and weak. At the input, the preferential part still focuses on the state economic sector, from land, location, capital... At the output, the "common yard" is the market that still considers the state economy as the mainstream.

Secondly, the effectiveness and efficiency of state management is not high, there are still manifestations of the ask-for-give mechanism; There are places where discipline is not

guaranteed. Administrative procedures are still cumbersome and complicated; The situation of harassment, trouble, irresponsibility, abuse of power, causing difficulties for businesses is still quite common.

Thirdly, the starting point for development and the internal capacity of the private sector is still low. Small and micro-sized private enterprises account for 97% of the total number of private enterprises. The rate of enterprises going bankrupt and shutting down is high. Many private enterprises do not have enough financial capacity to invest in fixed assets, machinery and technology to reduce costs and improve operational efficiency.

Fourthly, the private sector has a shortage of skilled workers and low labour productivity. The current management method of many enterprises is still family-style, with little approach to modern management and international practices.

Fifthly, the industry structure of the private sector is still inadequate, mainly focusing on the field of commercial and service activities. The current large private enterprises mainly rely on exploiting land and natural resources, the private sector is still weakly developed in the fields of production, processing and manufacturing.

Sixthly, the access to credit of private sector enterprises is still difficult. Many businesses find it difficult to meet the lending regulations of credit institutions due to lack of transparency and clarity about their financial situation.

Seventhly, the investment and business environment are still limited, with high potential risks, lack of security and transparency. In practice, freedom of business and property ownership, equality between the private sector and other economic sectors, especially in competition and access to business opportunities, have not been fully secured.

5. SOLUTIONS FOR PRIVATE ECONOMIC DEVELOPMENT

In order for the private sector to become an important driver of growth, the mindset that considers the private sector to be an important driver of the economy must be reflected in actual operations. Therefore, it is necessary to develop the private sector with many solutions.

Firstly, it is essential to refine the system of legal documents on the private sector. Amending a number of mechanisms and policies on private economic development such as investment, credit, production premises, tax, training, salary, income and insurance policies. society. Ensure smooth and unification of regulations, policies and laws, create favourable conditions for enterprises to develop in all industries and fields that are not prohibited by law.

Secondly, it is essential to create a favourable business and investment environment for private economic development. The State needs to ensure macroeconomic stability, control inflation, and accelerate the process of economic restructuring and growth model transformation. Continue to improve mechanisms and policies to attract private investment into private economic activities according to the market mechanism. Promote socialization, create conditions for the private sector to participate in public service provision, participate in the process of international economic integration. Support the private sector to access and exploit opportunities in international integration, market expansion, and investment and international trade. Creating conditions for the

private sector to develop, capacity building to gradually participate deeply and firmly in regional and global value chains.

Thirdly, it is essential to improve the internal capacity of enterprises to innovate governance models in accordance with international practices. In addition, supporting the private sector to raise the level of science and technology, cooperation and transfer of clean technology from developed economies. Encourage and support the private sector to invest in research and development activities. Advanced technology transfer.

Fourthly, it is essential to develop human resources for innovation and entrepreneurship. Improve the quality of education and training, especially vocational training, and train high-quality human resources to meet the demand for quantity and quality of human resources for private economic development. Strengthen cooperation and close links between enterprises and training institutions. Developing training according to the needs of enterprises and the market.

Fifthly, it is essential to facilitate the expansion of business scale and the development of the private sector, it is necessary to simplify procedures and improve the access to credit of the private sector. It is necessary to develop credit programs and packages with reasonable interest rates. In addition, it is necessary to further promote the activities of the Small and Medium Enterprise Development Fund, the Credit Guarantee Fund for small and medium enterprises, and innovative start-up investment funds, etc. to expand the capital support channel for the small and medium-sized enterprises.

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GREEN ECONOMIC DEVELOPMENT IN VIETNAM TO MINIMUM ENVIRONMENTAL POLLUTION AND CLIMATE CHANGE

PhD. Hoang Thi Bich Loan¹

Abstract: *Developing green economy to achieve green growth has become an inevitable trend of the modern world economy, in which economic development must ensure sustainable development goals. Like many countries in the world, the Government of Vietnam has recognized the importance of developing a green economy. The article focused on analyzing the impacts of climate change on economic growth and development; the need to switch to a green economic model to reduce environmental pollution. The article used qualitative research methods through analysis, synthesis, comparison... to make comments on the research issue. The research results of the article are recommendations to help Vietnam develop a green economy such as: establishing legal frameworks, measures to take advantage of financial support for green economic development...*

Keywords: *Green economy, sustainable development, environmental pollution, climate change.*

1. INTRODUCTION

The term “green economy” was officially used by the international community at the United Nations Summit on Sustainable Development (June 2012) in Rio de Janeiro, Brazil. Previously, the adjective “green” was used quite a lot, associated with many development activities towards sustainable development, such as green production, green consumption, green lifestyle, green products... which mainly mean “environmentally friendly”.

There are many different definitions of green economy, of which the definition of the United Nations Environment Program (UNEP, 2011) in the book “Towards a Green Economy - Roadmap for Sustainable Development and Poverty Alleviation” was most cited by scholars in Vietnam: “A green economy is the one that enhances people’s lives and improves social equity, while significantly reducing environmental risks and ecological deficiencies. Simply put, a green economy is low-emissions, resource-efficient, and socially equitable”(12). Up to now, the concept and perception of green economy is still not really clear, there are many different interpretations and names. Western countries identify as green economic model; developing countries aiming for a green growth strategy (China conducted a transformation of its economic development mode with green development and ecological civilization as the focus, and “just enough economic model” ” was the case of Thailand).

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Thus, there is a close relationship between green economy and sustainable development, in which the concept of green economy is the later, associated with climate change. Green economy not only includes economic goals, but more importantly, also extends to social and ecological goals. In fact, the green economy is also sustainable development, more specifically, it is a way of expressing sustainable development in the context of climate change, with much emphasis on environmental resources. In the green economy, environmental resources are considered a decisive factor for economic growth, improving value chains, bringing stability and long-term prosperity. Sustainability in environmental resources, responding to climate change is considered the focus of the green economy. The concept of "green economy" does not replace the concept of "sustainable development", but it is increasingly recognized as a suitable model as the foundation for sustainable development. In other words, a green economy is an economic strategy to achieve sustainable development goals.

Green economic development is the process of deepening economic growth with low fuel consumption, focusing on strongly developing eco -friendly industries , reducing greenhouse gas emissions to mitigate climate change, aiming for poverty reduction, social justice and environmental pollution reduction. Green economy includes three main contents: 1) Environmentally friendly; 2) In-depth economic development; and 3) Socially sustainable development. In order to improve competitiveness, harmonize development, improve quality for people, urban development planning and planning management need to achieve the criteria of ecological efficiency and social assurance, for urban being the driving force for green and competitive economic growth; increasing job opportunities; poverty reduction; improve the quality of life; enhancing energy security; to avoid future costs and risks. The green economy also aims to build sustainable rural areas with a harmony lifestyle with the environment.

2. LITERATURE REVIEW AND PREVIOUS RESEARCH STUDIES

Up to now, there have been many scientific works, topics, projects ... research on the green economy. These studies have analyzed and evaluated the following main issues:

Firstly, studies on the characteristics of green economy: the article "Green economy – the road to sustainable development of the country" [21], Political Theory Journal, No.4 (2013), p.30-35, analyzed and clarified the concept, position, role and basic contents of green economic development, in which economic development, social development and environmental protection should be ensured harmonious and balanced, the author believes that transforming to a green economic model would be a strategy for Vietnam's sustainable development. In order to successfully transforming, it is necessary to carry out a combination of groups of solutions: propaganda, economic restructuring, building of a legal environment, promotion of technological innovation, development of clean energy sources, building people's awareness... Nguyen Hoang Oanh (2011) in his work "Green economics - Development trends of modern economic theory" [10], Journal of Economics and Development, No.154, p.3-10. The article introduced the general context of the world leading to the birth of the green economic model and the concepts of green economy and green economic development. The article also provides the theoretical basis for green growth such as the Kuznets curve hypothesis on the environment, environmental taxes and dual benefits, the system of environmental regulations and the Porter hypothesis. At the same time, the author pointed out the typical international experience of green growth in Asia, including the factors that promote Korea's transition from the brown growth

model to green growth; the necessity to switch to green economy of Vietnam was also analyzed and provide analysis on the potential and strategy of green growth in Vietnam.

Secondly, researching on green economy, economic development in Vietnam and some countries around the world, pointing out the opportunities and challenges that Vietnam might meet in green economic development. Green economic development is one of the world economy's development trends, and Vietnam is not an exception. There are a number of articles on green economy development such as: Nguyen Xuan Thang (2013), ministerial thesis: "The transition to a green economy: Korea's experience and some suggestions for Vietnam"[19]. The topic has focused on understanding and explaining the transition to a green economy in the world in the post-financial crisis and global economic recession; explored Korea's experience in transitioning to a green economy and had some suggestions for transforming the growth model and restructuring Vietnam's economy towards green development. Ministry of Foreign Affairs (2011), Report on green economic development trends in the world and impacts on Vietnam, No. 4267/BC-BNG-THKT, Hanoi. The report provided a general concept of green economy, international perspectives and practices on green economic development, opportunities and challenges for Vietnam in green economic development. Nguyen Thi Tham (2011) in her article "Green growth policy and prospects for Vietnam - Korea cooperation" [14], "Korea's green growth strategy and suggestions for Vietnam" International scientific conference, Institute for Northeast Asian Studies, Hanoi, December 27, 2011, presented the process of developing Korea's green growth policy and the main content of the green growth policy such as the green growth implementation strategy, plans to concretize the green growth implementation strategy and the main content of the country's framework law on green growth. At the same time, the article analyzed the prospects for cooperation between Vietnam and Korea on green growth. Nguyen Quang Thuan, Nguyen Xuan Trung in "Green economy in innovation of growth model and economic restructuring in the coming period"[11] Proceedings of the Spring Economic Forum (2012), co-organized by the Committee Economics of the National Assembly and UNDP in Vietnam, referring to the position of green economic development in the growth model, development possibilities and the choice of green economic development direction in the transformation of Vietnam's growth model and economic restructuring. On that basis, some suggestions for green economic development policy for Vietnam were given. Nguyen Trong Hoai (2012) in the article "Green growth model: Analytical framework and policy options for Vietnam"[17], Economic Development Journal (259), 3039 introduced the green growth approach, a more specific approach than the sustainable growth approach. Based on the green growth analysis framework of the Organization for Economic Co-operation and Development (OECD), the study selected a number of measurable indicators to assess the current green growth status of Vietnam and from which some policy suggestions for this new approach were given. Research results showed that Vietnam's economy was facing great challenges in moving towards a green growth model. Doan Thi Hong Van and Bui Thi Van Khanh (2013) in the article titled "Green growth in Vietnam's rubber industry"[5], Economic Development Magazine (276), March, 2013 showed the development of Vietnam's rubber industry was increasingly revealing many inadequacies: the output was too dependent on the Chinese market - where imported more than half of Vietnam's rubber exports, the deforestation, rampant, ineffective rubber; profits in the rubber value chain were distributed improperly, losing the motivation of rubber growers, etc.

The old growth model in the rubber industry was no longer suitable, it's time to switch to a new growth model - green growth. The article focused on clarifying the concept of green growth, assessing the current situation of Vietnam's rubber production and export in recent years, in-depth studying of the inadequacies in the industry, on that basis, proposing a green growth solution system, creating a premise for Vietnam's rubber industry to develop sustainably. Nguyen Trong Hoai & Le Hoang Long (2014) in the article "Industrial development towards green growth: A case study of the Mekong Delta" [18] *Economic Development Journal* (282), 48-64. This study referred to a new approach to development, which was industrial development oriented towards green growth. The study assessed the industrial status of the Mekong Delta region according to the green growth approach, and at the same time evaluated the State's policies to support the green growth approach in industry. Nguyen Van Huy (2011) in "Green growth and some priority orientations for Vietnam", Institute of Strategy and Policy on Natural Resources and Environment gave a general overview of the trend of green economic development and some key contents on green growth of the world. Besides, the article also gave some orientations to promote green growth in Vietnam. Pham Thanh Cong (2011) in "Green economy: orientation for sustainable development in the new century", *Economic Studies*, Vol 401, No 10 (2011), pp. 22-28 introduced an overview of the green economy - a new economy for the sustainable development of the world in the 21st century as well as the development trends of countries in the world and Vietnam, giving some recommendations to gradually develop in Vietnam. Pham Huy Thong, Pham Thanh Trung (2016) "Research on green economic development strategies in Vietnam". The article showed that now a day, humanity is facing a new crisis, in which the climate crisis (climate change) is the most important. In this context, green economy was arguably the most viable path to deal with climate change and maintain sustainable development. Vietnam has issued a National Strategy on Green Growth and would deploy it nationwide in the near future. The article clarified that green growth not only creates opportunities for Vietnam to carry out economic restructuring with the country's rapid and sustainable development, but also creates many difficulties and challenges on the way of integration with the global green trend.

Thus, despite being approached in different directions, all views agreed that the green economy included three pillars: economic development (economic growth, employment); environmental sustainability (minimizing fossil energy and natural resource depletion...); social cohesion (ensuring poverty reduction objectives, equality in the opportunities created by the green economy, and a healthy living environment).

3. RESEARCH RESULTS

In this section, the author will analyze the impacts of climate change on economic development to point out the need to switch to a green economic model; analyze the situation of green economic development in our country in recent years and point out the opportunities and challenges of Vietnam in green economic development.

3.1. The impact of climate change on economic development

Climate change in Vietnam is complicated performing, the reality in recent years showed that climate change has been happening earlier than expected. Looking back and comparing with

previous comments before 2010, the beginning of many studies on the damage of climate change in the world, our country is now still one of those heavily affected by climate change. In a study on the impact of climate change on developing countries by World Bank, the forecast from 2007 showed that Vietnam was the country most affected by climate change. Based on the scenario of sea level rising, one of the basic factors of climate change, which is most clearly shown through the chart in Figure 1 below by the authors in the study on the effects of climate change on economic growth of some countries in the world showed that, compared with 19 developing countries affected by climate change, Vietnam is one of the five countries with the biggest losses in terms of GDP.

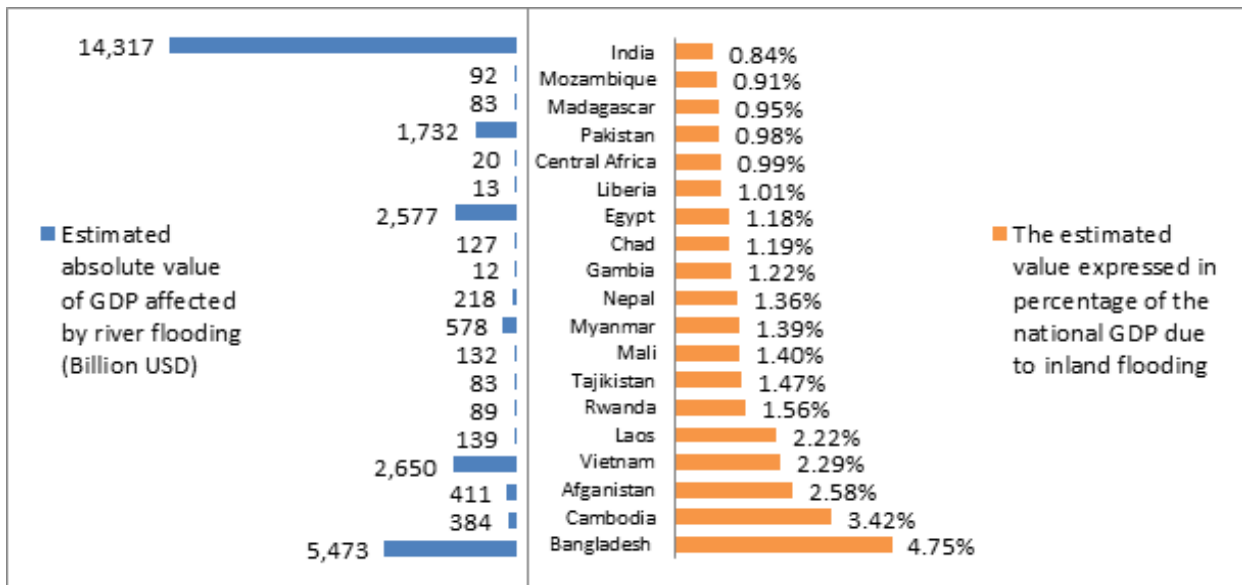


Figure 1: Losses per GDP due to climate change in some countries around the world

Source: World Resource Institute

Firstly, the impact of climate change to the agriculture and fisheries sector

In Vietnam, among the economic sectors affected by climate change, agriculture is the hardest hit. Because agricultural production activities depend a lot on natural factors such as: land, water source, climate, hydrological condition, temperature, humidity... This is shown in following aspects: (i) Inundation due to sea level rise will cause loss of arable land for agriculture. According to calculations by experts, for every 1meter of sea level rise, about 40% of the area of the Mekong Delta, 11% of the Red River Delta and 3% of the area of other coastal provinces will be flooded. Flooding causes loss of arable land in the two most important agricultural areas of Vietnam, the Mekong Delta and the Red River Delta, because about 80% of the area of the Mekong Delta and 30% of the area of the Red River Delta were less than 2.5 meter above sea level. Currently, the cultivated land area of Vietnam is about 9.4 million hectares (of which 4 million hectares are rice land). On a national scale, Vietnam will lose more than 2 million hectares of rice land (about 50%) if the sea level rises by 1meter; (ii) Saltwater intrusion in the coastal area will also reduce the area of agricultural land. A significant portion of arable land in the Red River Delta and the Mekong River Delta will be saline because these two deltas are lowlands relative to sea level. Saltwater

intrusion reduces the arable land, from which the coefficient of land use can be reduced from 3-4 times per year to 1-1.5 times per year. Saltwater intrusion will be especially severe in the Mekong Delta. If the sea level rises by 1 meter, about 1.77 million hectares of land will be affected by salinity, accounting for 45% of the land area in the Mekong Delta; (iii) Increased temperature and drought will affect the distribution of crops, especially reducing yield, specifically, the yield of spring crop tends to decrease more sharply than that of the winter crop, winter maize yield tends to increase in the Northern Delta and decrease in the Central and Southern regions [15].

Table 1. Forecast on the impact of 1 meter sea level rise in Vietnam

	Total	Impacted (absolute value)	Impacted (percentage)
Area (km ²)	328,535	16,977	5.17
Population (million people)	78.137	8,437	10.8
GDP (billion USD)	154.787	15,805	10.21
Urban Area (km ²)	5,904	634	10.74
Agricultural area (km ²)	192,816	13,773	7.14
Wetland (km ²)	46,179	13,241	28.67

Source: Accessed at <http://hdll.vn/vi/nghien-cuu-trao-doi/anh-huong-cua-bien-doi-khi-hau-doi-voi-nuoc-ta-thuc-trang-nhung-van-de-moi-dat-ra-va-giai-phap.html>

As the area of agriculture arable land shrinks and crop yields decline, it will pose challenges and threaten the lives of farmers, the problem of rice export and national food security for a country where agriculture plays an important role in the national economy like Vietnam: agriculture accounts for 52.6% of the labor force and 20% of the country's GDP. It is forecasted that by 2100, if the sea level rises by 1m, Mekong Delta granary and Ho Chi Minh city will be at risk of losing about 7.6 million tons of rice per year, equivalent to 40.5% of rice production in the region. Therefore, Vietnam will be at risk of facing severe food shortage by 2100 because of the loss of about 21.39% of rice production (for the Mekong Delta region only). Thus, in the near future, with the significant impacts of climate change, it will threaten food security for a country with such a big population like Vietnam.

For the fisheries sector, there are currently about 480,000 people directly involved in fishing; 100,000 people are working in the seafood processing industry and about 2,140,000 people are engaged in fisheries services. Fishery livelihoods, including fishing and aquaculture, which depend on water availability and the abundance of coastal resources, should be among the most sensitive and vulnerable over impacts of climate change. In general, climate change tends to change the habitats of aquatic species, leading to changes in the stock of aquatic species due to migration or deterioration of habitat quality, thereby narrowing the fishing ground, catch and aquaculture output. Damage in aquaculture tends to increase in recent years due to the influence of sea level rise, drought, saltwater intrusion, unseasonal rains and floods, and changes in water environment. Loss of aquaculture production in some provinces, such as Bac Lieu, Ben Tre, Ca Mau, etc. has increased by 30 -40% per year [15]

Table 2: Levels of damage in arable land and aquaculture due to drought and salinity in the Mekong Delta, 2019-2020

Salinity and drought during 2019 - 2020	
Autumn-winter crop 2019	
Damages	16,500 hectares
Loss	14,000 hectares
Winter-spring crop 2019-2020	
Damages	41,900 hectares
Loss	26,000 hectares
Fruit tree	
Damages	6,650 hectares
Loss	355 hectares
Aquaculture	
Damages	8,715 hectares

Source: Ministry of Planning and Investment of Vietnam

According to calculations, in the Mekong Delta, with the intensity of drought and salinity in 2019-2020, the autumn-winter crop, winter-spring crop, fruit trees and aquaculture were damaged and lost as shown in the table above.

Particularly in 2020, the drought and salinity have caused many households to seriously lack water for daily life. According to statistics, about 96,000 households in the Mekong Delta have suffered from lack of water for daily life.

Climate change makes the temperature and humidity on the earth changed, affects the hydrology and agricultural practices of farmers, one of the causes of global warming is the use of fossil fuel, which accounts for 46% of the warming.

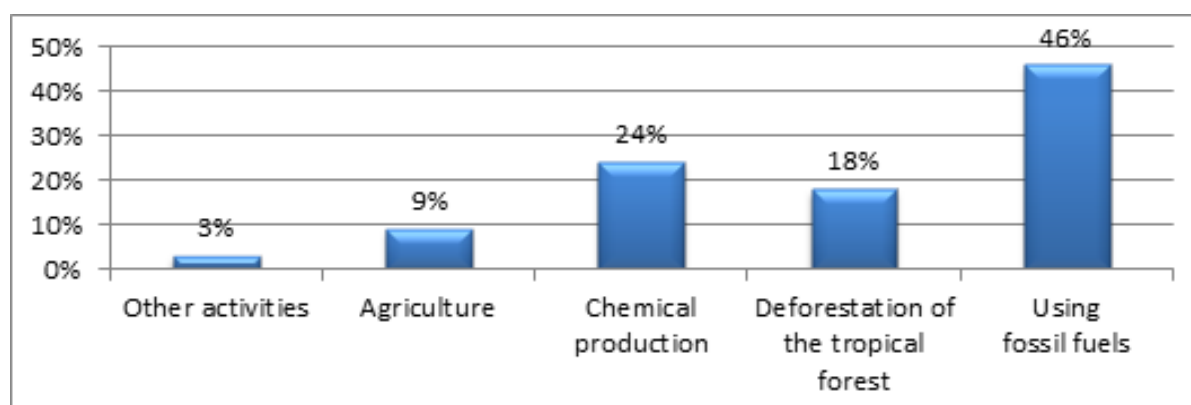


Figure 2: Contribution to global warming (%)

Source: Accessed at <http://moitruong24h.vn/bien-doi-khi-hau-voi-cac-cuoc-cach-mang-cong-ng-hiep.html> on October 6, 2021[20]

Secondly, the impact of change climate on the industry

Climate change has a multi-faceted negative impact on production and business activities of enterprises. These are production and business interruption, decrease in labor productivity and revenue, disruption of transportation channels, increase in production costs, stagnation of distribution network, decrease in product quality, damage to facilities, human resources... Industries, especially coastal industrial zones, will be heavily affected by climate change. Accordingly, when the sea level rise of about 1 meter by the end of the 21st century will make most of the industrial zones flooded at least over 10% of the area, the highest is about 67% of the area. In addition, the source of raw materials for industry, especially raw materials for food processing, textile and garment industries will be significantly reduced since they are not supplied from raw materials the most flooded provinces in Vietnam - the Mekong Delta. This puts more pressure on the restructuring of industries in terms of industrial type, proportion of processing industry and high technology.

On the other hand, rising temperatures increase energy consumption in industries: increasing the cost of ventilation and cooling of mining pits and reducing the efficiency and output of power plants. Electricity consumption for domestic use increases and cooling costs in commercial industries also increase significantly as temperatures tend to increase. Additionally, stormy erratic and rising sea levels will impact negatively on the operation and exploitation of the transmission and distribution system of electricity as well as drilling platforms, oil and gas pipelines to the mainland, supplying oil to oil tankers; increasing the cost of maintenance and repairing of energy facilities; affecting the supply and consumption of energy and national energy security.

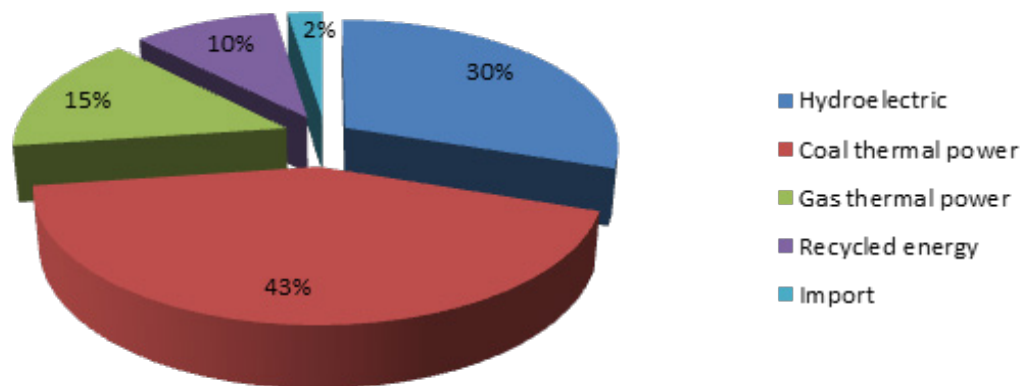


Figure 3: Power source structure in 2020

Source: Vietnam General Confederation of Labor

According to a report by Vietnam Electricity, in 2019, the accumulated water level of Hoa Binh hydropower reservoir was 10m lower than the same period for many years. Meanwhile, the latest data provided by the Ministry of Natural Resources and Environment showed that big reservoirs in the Red River basin were at a very low level, reaching only about 54% of their useful capacity, leading to the lack of water supply for downstream area. Specifically, at Hoa Binh hydropower reservoir, the water level was at 102m which was the driest in the past 30 years. Statistics from the Department of Electricity and Renewable Energy - Ministry of Industry and Trade showed that, from the beginning of 2019, the proportion of power sources performed a big difference, of which coal-fired power still

accounted for a large proportion of up to over 43%, the second was gas thermal power with over 30%, the rest was hydropower, renewable electricity and other types of electricity.

With such a structure of power sources, there will be pressure to reduce greenhouse gas, which to be considered the basic cause of environmental pollution and climate change.

Thirdly, the impact of climate change on some other areas

- The impact of climate change on some areas of labor and society

It can be seen that climate change affects labor and employment in two distinct trends: (i) climate change makes agricultural employment more precarious, risky, and poorer of working condition; (ii) climate change causes a part of labor force to switch jobs (for example, from agriculture to industry, commerce, services), reducing working time, reducing income and increasing the amount of local migrant workers. The impact of climate change on poverty is often expressed through the impact on the livelihood resources of households with climate-sensitive livelihoods such as agriculture, forestry, salt production, fisheries, ... Climate change will be the major obstacle to the poverty reduction efforts of the government and individual.

- The impact of climate change on technical infrastructure

Technical infrastructure plays a very important role in socio-economic development. When the infrastructure system is destroyed by the impacts of climate change, it always leaves consequences for the economy. For example, sea dyke system: rising sea level can make the sea dyke system unable to cope with sea level rise during storms, leading to the risk of dyke breaking in big storms; The system of river dykes and embankments: rising sea level reduces the ability to drain water into the sea, leading to the rise in water levels in inland rivers, combined with an increase in flows from upstream will cause flood peaks to increase, affecting the safety of river dikes in the Northern provinces, dikes and embankments in the southern provinces; Water supply works: sea level rise increases the saline intrusion into the mainland, making the coastal aquifers also at risk of saline intrusion, causing difficulties in water supply for production. In urban areas, sea level rise and high tide will seriously affect coastal urban areas, affecting traffic, daily life and production activities.

It can be seen that climate change has caused great damage to the economy, directly affecting economic growth. The most obvious impacts are at the agriculture and aquaculture sectors, affecting the livelihood of workers. Therefore, developing a green economy is the right direction in the current period.

3.2. The situation of green economic development in Vietnam

Promoting green economy and green growth in Vietnam is not only a requirement in the current integration process, but more importantly comes from the internal requirements of our economy, from its weaknesses, requires a transformation of the growth model.

In recent years, Vietnam's economy has achieved important achievements, but development is not sustainable. Economic development in our country still relies heavily on the exploitation of natural resources, low labor productivity, production technology and consumption patterns use a lot of energy and raw materials and emit a lot of waste. Many natural resources are exploited to exhaustion, and inefficiency. The natural environment in many places has been seriously damaged,

polluted and degraded to an alarming level... Therefore, approaching and building a green economy is an urgent requirement and realize the path of sustainable economic development, hunger eradication and poverty alleviation. Recognizing the significance of this opportunity, in order to develop the country and integrate and international exchange, the Government has issued important strategic documents: Decision No. 2139/QĐ-TTg, dated 05/12/2011 on approving the National Strategy on Climate Change, Decision No. 432/QĐ-TTg, dated 12/4/2012 approving the Vietnam Sustainable Development Strategy for the period of 2011-2020, Decision No. 1393/QĐ-TTg, dated September 25, 2012 approving the National Strategy on Green Growth for the period of 2011-2020 and a vision to 2050, Decision No. 339/QĐ-TTg, dated February 19, 2013 on approving the Master Plan of economic restructuring associated with transforming the growth model towards improving quality, efficiency and competitiveness in the period of 2013-2020. The contents of these documents have covered most of the meanings, goals, views, principles, solutions, and ways of implementing green growth, and are the legal basis for promoting green growth. Green growth in Vietnam is an important content of sustainable development, ensuring fast, effective and sustainable economic development and making an important contribution to the implementation of the National Strategy on Climate Change. Green growth is a method to promote the process of changing growth models, restructuring the economy, in order to maximize competitive advantages, increase economic efficiency and competitiveness through studying and applying advanced technologies, developing modern infrastructure systems, in order to effectively use natural resources, reduce greenhouse gas emissions, respond to climate change, contribute to hunger eradication and poverty reduction, creating driving force for sustainable economic growth. Vietnam's Green Growth Strategy for the period of 2011-2020 was implemented according to Decision 1393/QĐ-TTg of the Prime Minister. According to the Green Growth Strategy, the following three strategic tasks have been proposed:

Firstly, "greening" production. According to the target of the National Green Growth Strategy, by 2020, the value of high-tech and green technology products in GDP will be 42 - 45%; the rate of production and business establishments meeting environmental standards is 80%, applying cleaner technology than 50%, investing in developing industries supporting environmental protection and enriching natural capital, striving to reach 3 - 4% GDP. To achieve this goal, greening production through planning and restructuring the economy, especially limiting the development of economic sectors that generate large wastes, cause pollution and degrade the environment. Use resources economically and efficiently, especially water resources, land resources and mineral resources. Promote green economic sectors to develop quickly to enrich the natural capital of land and water, create more jobs and improve people's quality of life. Develop sustainable infrastructure, innovate technology, universally apply cleaner production processes. In addition, implementing a strategy of "clean industrialization" through reviewing and adjusting existing sector plans, using resources economically and efficiently, and encouraging the development of green industry and agriculture, technology and equipment ensuring the principles of environmental friendliness, investment and development of natural capital; actively prevent and treat environmental pollution.

Secondly, reduce the intensity of greenhouse gas emissions per unit of GDP and increase the rate of renewable energy usage. According to the goal of the National Green Growth Strategy, in the period of 2011-2020, it is necessary to reduce the intensity of greenhouse gas emissions by 8-10%

compared to the 2010 level, reducing energy consumption per GDP by 1% to 1,5% per year. To achieve this goal, it is necessary to improve energy usage efficiency, reduce energy consumption in production, transportation, and trade. Changing the structure of fuel use in industries and transportation. Promoting effective exploitation of renewable and new energy sources in order to gradually increase the share of these clean energy sources in the nation's energy production and consumption, gradually reducing dependence on fossil energy sources. In addition, it is necessary to reduce greenhouse gas emissions through sustainable organic agriculture development, improving the competitiveness of industry production ...

Thirdly, greening lifestyle and sustainable consumption. According to the target of the National Green Growth Strategy, by 2020, the proportion of 3rd grade cities with wastewater collection and treatment systems meeting the prescribed standards would be 60%; For 4th grade, 5th grade cities and craft villages would be 40%, improving the environment in heavily polluted areas by 100%; The proportion of large and medium-sized cities meeting the green city criteria should strive to reach 50%... To achieve this goal, it is necessary to sustainably urbanize to improve competitiveness, harmonious development, and quality of life for people, urban development planning and planning management need to achieve the criteria of ecological efficiency and social assurance in order for the city to be a driving force for green and competitive economic growth, increase employment opportunities, reduce poverty, improve quality of life, increase energy security, improve the environment, and avoid future costs and risks. New rural construction needs to be in harmony with the environment, implementing the contents of the National Target Program on New Rural Construction for the period of 2010-2020 and in the following years, combining economic growth with environmental protection, development of education, health, culture and promotion of social progress and justice to ensure sustainable rural development...

The National Green Growth Action Plan for the period of 2013-2020 was issued on March 20, 2014 under Decision No. 403/QĐ-TTg of the Prime Minister. This plan included 4 main themes, 12 groups of activities and 66 specific action tasks. In which, 4 main topics included: building local green growth institutions and plans, reducing the intensity of greenhouse gas emissions and promoting the use of clean and renewable energy; greening production; greening lifestyle and sustainable consumption. Funds for the implementation of the National Green Growth Action Plan were taken from the state budget in the Climate Change Response Support Program, from the resources of enterprises, from the community and from international aid. It can be seen that, Vietnam has brought green growth from the Strategy into an important driving force for sustainable growth.

On August 26, 2016, the Government issued Resolution No. 73/NQ-CP approving investment policies in 21 target programs for the period of 2016-2020, including the Target Program to respond to climate change and green growth. The objective of the Program was to simultaneously implement solutions to adapt to the impacts of climate change and reduce greenhouse gas emissions, ensuring the safety of human life and property. Strengthen the capacity of people and natural systems to adapt to climate change; moving towards a low carbon economy, enriching natural capital has become the mainstream in sustainable economic development. Restructuring and perfecting economic institutions towards greening existing industries and encouraging the development of

economic sectors that use energy and resources efficiently with high added value. Implementing the National Strategy on Climate Change, National Strategy on Green Growth, actively implement Vietnam's commitment to the international community to protect the earth's climate. The program also set a specific goal to strive to plant and restore 10,000 hectares of coastal mangroves and watershed protection forests by 2020 to adapt to climate change and absorb 2 million tons of CO₂ per year and create stable livelihoods for people. By 2020, reducing greenhouse gas emission intensity from 8% to 10% compared with 2010 level; reducing energy consumption per GDP from 1% to 1.5% per year; building a center for research, application training and transfer of green construction technology in Vietnam with a scale of 50 hectares. Developing action plans on green growth at sectoral, regional and local levels.

Although it is still necessary to continue to improve the policy framework, However, Vietnam has been ready to move from policy to implementation with the addition of climate change and green growth content to the Law on Environmental Protection 2014 and a number of other relevant provisions. Adopting a green growth strategy that set different goals and timelines in the action plan, demonstrating Vietnam's strong commitment to the implementation of the Millennium Development Goals. Therefore, more and more development partners have joined the Green Alliance with Vietnam (such as UNDP, Belgium, EU, ADB, USAID, WB).

3.3. Opportunities and challenges to develop green economy in Vietnam

- In term of opportunity

The biggest concern of the world community today is climate change. In order to mitigate and adapt to climate change, countries are making many efforts, of which low-carbon economic development and green growth are new trends in the roadmap towards a green economy. Vietnam will receive the support and help of countries and international organizations around the world in joint efforts to mitigate and adapt to climate change on the basis of towards a green economy. Vietnam is undergoing fundamental changes, the socialist-oriented market economic institution is gradually being perfected towards a development for the people. Those factors are implemented in a stable political environment which is a good opportunity for implementation of the green economy. Continuing to deploy and implement the socio-economic development strategy for the period up to 2025, the 3rd Conference of the Party Central Committee affirmed: renewing the growth model and restructuring the economy in the direction of improving quality, ensuring social welfare and security, and protecting natural resources and the environment. Thus, Vietnam will promote "Restructuring the economy associated with the growth model" in the near future. This is an opportunity for Vietnam to move towards a green economy and green growth.

Besides, Vietnam has been and will receive active support from the international community (UNDP, World Bank, developed countries such as Denmark, Sweden, Germany, Japan, France, United States...) in responding to climate change in particular and green growth in general. All these positive factors are converging into a springboard for Vietnam to build a green economy and affirm that the choice of "green growth" is the optimal solution for sustainable development, hunger eradication and poverty reduction.

- In term of challenge

First of all, in terms of awareness, most people do not understand what "green economy", "green growth" mean. This requires research and widespread dissemination of knowledge among leaders, policy makers, businesses and citizens. Without full awareness, consensus in society will not be achieved, so it will be difficult to implement the issued strategy. Secondly, in terms of how to proceed, compared with the traditional economy - the "brown economy", the transition to a "green economy" model with a focus on growth, economic restructuring should how and where to start in the current context of Vietnam's economic is a big issue for policymakers in formulating a development roadmap. Thirdly, a green economy associated with the use of renewable energy, green growth, investment in ecosystem restoration, livelihood settlement associated with environmental restoration, etc. In fact, presently, production technology in Vietnam is mostly old technology, consuming a lot of energy in comparison with the world. Changing new technology to suit the green economy to realize green growth is a considerable challenge without support of capital and technology from developed countries in the world. Fourthly, in Vietnam in recent years, there has been a lack of supporting economic sectors, dealing with environmental consequences, and environmentally friendly economic sectors: such as technology, environmental protection services; recycling industry; energy production from waste, clean energy; environmentally friendly goods and products; organic agriculture. Fifthly, mechanisms and policies towards the implementation of a Green Economy in Vietnam are currently almost nonexistent, while an approach has been proposed in the world. The review of related policy mechanisms and amendments to suit the new development model in the direction of restructuring the economic sector and towards a green economy is not a small challenge.

4. DISCUSSION AND CONCLUSION

Shifting the global economy away from fossil fuel dependence and unsustainable use of the earth's limited resources is not an option, it is a fundamental necessity. In addition to efforts to initiate a "green recovery", it is also an opportunity to restructure resource allocation and protect the national economy for sustainable growth and development.

After 30 years of economic renovation, Vietnam has achieved many important achievements, becoming a middle-income country and effectively integrating regionally and internationally. However, due to hasty and subjective economic development, Vietnam is also facing many environmental challenges, serious depletion of natural resources and many negative impacts of climate change, causing harm back to the poor and not ensuring sustainable development. Recognizing the inevitable needs of green economic development and the available potentials, Vietnam is taking drastic steps to transform its economic structure towards greener growth.

From the right awareness of green economic development being a necessity, through analyzing the impacts of climate change on the economy to see more clearly the need to switch to an economic growth model associated with the goal of sustainable development that the development of a green economy is an important step. In order to develop a green economy, the role of the state is extremely important. Because the transition to a green economy, green growth is a process and being influenced by many factors from the government as an institutional creator, orienting

the transition to a green economy; as an investor, focus investment efforts to lead businesses and people towards a green economy, green consumption, investment in scientific research, and green technology transfer. To successfully transition to a green economy, the State's role is shown as follows:

Firstly, the State needs to establish appropriate legal frameworks to orient economic development towards green growth. Through the promulgation of appropriate institutions, mechanisms and policies, it will play a role in creating an environment to encourage greening the economy. A properly designed regulatory framework can define rights and create incentives for green economic activity, as well as removing barriers to green investments and regulate harmful unsustainable behaviour by creating minimum standards or outright banning certain activities. Moreover, the full legal framework helps to reduce business risks, as well as increase the confidence of investors in the market. Business operations will be more favorable when standards (especially those related to environmental protection) are clear and effectively enforced since businesses will share a common competitive ground and to avoid unfair competition from non-compliant enterprises.

Secondly, investment and spending of the State in the areas that stimulate the greening of the economy. These are investments to promote the development and use of new energy, renewable energy, new raw materials, fuels and materials to replace traditional resources. Investing in the transformation of the economy's energy using structure in the direction of increasing the proportion of using new and renewable energy in the total national energy use requirements. Encouraging all economic sectors to invest in the development of new and renewable energy. Development and production of new raw materials, fuels and materials to replace traditional resources. The green subsidize as price support, tax incentives, direct subsidies and loan support can be powerful levers to transition to a green economy. In addition to green subsidies, it is necessary to limit spending and subsidies in areas that deplete natural resources. Many countries have had to pay a significant economic and environmental cost because of unreasonable subsidies. Because that, if you deliberately reduce the price of goods through subsidies, it will encourage inefficient, wasteful, over-demanding consumption, thereby leading to scarcity of valuable finite resources or degradation renewable resources and degraded ecosystems earlier than expected.

Thirdly, the State needs to take measures to utilise financial support as well as technical, technological and management experience from the international community dedicated to green economic. To attach importance to exploiting programs and projects supported by international organizations of the United Nations and ODA from developed countries for this field. Developing green economy requires big enough financial to be able to effectively implement green projects in all fields of economy, society and the environment at the same time. This is a difficult problem for most developing countries. According to the experience of some countries in the world, there are many different sources of capital mobilized, including: state budget, foreign funding sources (ODA, long-term loans) and from other sources of legal capital.

Unit: billion USD

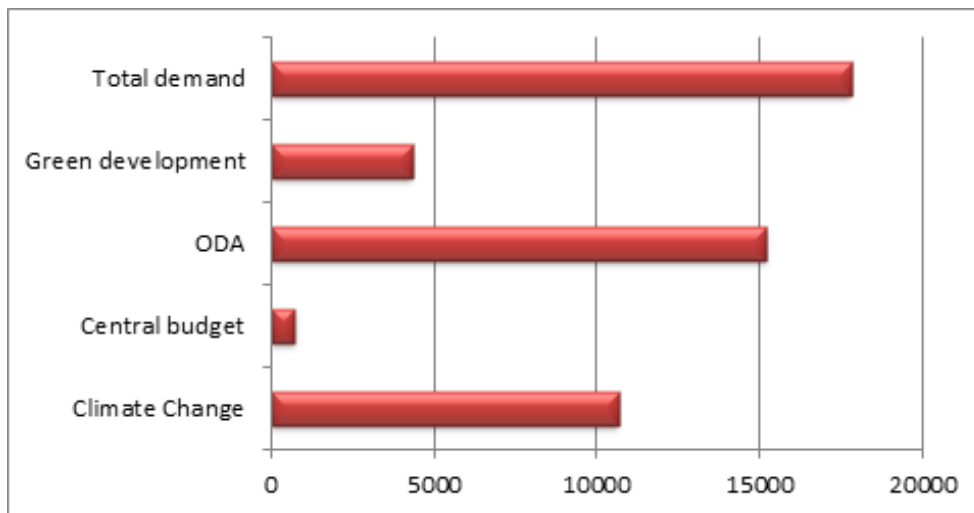


Figure 4: Financial need to respond to climate change and green development in the period of 2016-2020

Source: Resolution No.73/NQ-CP on approving policy to invest 21 Target Programs for the 2016-2020 period [6]

The above chart shows that the central budget meets only a small portion of the financial need to respond to climate change and green development. Therefore, the resources mobilization can be carried out through financial funds such as the Environmental Protection Fund and other funds or foreign funding sources according to certain criteria. In the process of economic development, the government can gradually shift its role of economic leadership to the private sector, encouraging the private sector to participate in the economic development process as well as to discuss policies, propose proposals for economic development to ensure the plan is implemented on time and efficiently. Continue to expand and develop ideas and actively participate in activities of international organizations and movements on environmental protection, climate change response, building a green economy. In addition, to promote international cooperation in green economic development by signing of international agreements and conventions on climate change.

Fourthly, to achieve the goal of restructuring the economy towards green growth, it is necessary to have an integrated approach to the goal of sustainable production and consumption development, green business and market development... all off these fields are in great need of the role of the state, in which the restructuring of the industry, especially limiting the development of economic sectors that generate large amount of wastes, cause environmental pollution and depression. Accordingly, the authorities will review the master plan for socio-economic development in key regions, the planning of economic sectors, especially those that affect the environment such as energy, mining, construction, transportation and tourism etc. must soon develop and implement action plans to ensure sustainable development. Developing environmentally friendly production and consumption is the basis for countries, especially developing countries, to pursue new growth models. A model that prioritizes more allocation to environmentally friendly sectors in the economic structure, creating new resources for development.

Sustainable development is a cross-cutting requirement in the country's development in the coming time, on the basis of harmoniously combining the three pillars of development, including economical sustainable development, social sustainable development and protect natural resources and the environment. Green growth towards a green economy is a content of sustainable development, a method of economic development in the direction of fast, effective and sustainable, and at the same time contributes to minimizing and preventing the impact of climate change. In the reforming process to transform towards a green economy, the tectonic role of the state is extremely important as analyzed above.

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PROPOSED RESEARCH MODEL OF IMPACT OF ORGANIZATIONAL CULTURE ON YOUNG EMPLOYEE COMMITMENT TO ENTERPRISES

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Abstract: *The aim of paper is to propose a research model to study the impact of organizational culture on the commitment of young employees to the enterprise. The authors reviewed the well-known theories of organizational culture and employee commitment including Recardo and Jolly (1997); Mowday et al (1979); Meyer and Allen (1991) and related empirical studies. Drawing on the literature review, a model describing the impact of organizational culture on young employee commitment to Vietnamese enterprises is proposed. Several hypotheses for future research are suggested.*

Keywords: *Organizational culture, young employee, commitment, enterprise*

1. INTRODUCTION

In some recent years, organizational culture has been an important issue in the field of business administration research due to its influence on aspects of organizations and individuals such as organizational commitment, loyalty and job satisfaction. Organizational culture is considered as a management philosophy, a way of organization management to improve work performance as well as the ability to influence thoughts, feelings and communication activities in the organization. Along with that, maintaining a stable human resource, minimizing the leaving of employees from the organization, especially good and talented employees, are some issues that managers have to resolve and need to find out effective solutions for their business. Utilizing a diverse workforce can provide more solutions for businesses in solving problems of sourcing and resource allocation. The labor market nowadays has four generations, including: Baby Boomers, Generation X, Generation Y and Generation Z. Differences between generations can affect the way of job implementation. The enterprises recruit and develop staff, deal with change, motivate, excite and manage employees in order to increase productivity, competitiveness and service efficiency. The obvious feature of young human resources is that they are easily attracted to new, creative and free things. This is also the cause of high employee turnover today.

Studying the impact of organizational cultural factors on the commitment of young employees to the enterprise plays a necessary role in providing practical evidence as well as a basis for building policy implications to help businesses maintain their valuable human resource in the current integration period. Therefore, a scientific approach in which employee commitment is constructed, taking in account of a wide range of organizational culture dimensions is needed to

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fill the gap. As the result, the main objective of this study is to provide a research model that can help to explain the relationship between organizational culture and young employee commitment to enterprises. In order to clarify the role of organizational culture in human resource management activities of Vietnamese enterprises, this study will be conducted according to several research steps using qualitative methods for the purpose of collecting deeply knowledge about the concerned issue. First, an overview of the rationale related to corporate culture and employee commitment is presented. Second, analyze the research models of the influence of corporate culture on employee commitment, consider and evaluate the similarities and differences. Third, synthesize and propose a research model to assist in measuring the influence of corporate culture on the commitment of young human resources and its implications for Vietnamese businesses, managers and employees. The researchers also show their excessive interest in this topic.

2. THEORETICAL BASIS AND METHODOLOGY

2.1. Theoretical basis

Organizational Culture

From the perspective of operational management, according to Do Thi Phi Hoai (2009), organizational culture (or corporate culture) includes a system of key meanings, values, beliefs, perception and thinking method that are unified by all members in an organization. It has a wide influence on the perception and actions of each member in business activities, creating the business identity of enterprise.

In organizational behavior theory, there are many arguments that company culture can be viewed as a system of values, beliefs and behavioral patterns of employees (Lund, 2003; Pool, 2000). Luthans (1992) defined corporate culture as including ethical standards, value systems, beliefs and atmosphere in the company's working environment. And in the view of Schein (1992), culture is a form of basic assumptions – invented, discovered, and developed by a group as they learn how to deal with problems related to the adaptation to the outside and integration with the inside, which work and were considered valid. Therefore, they are communicated to new members to follow.

In addition, Geert Hofstede (1991) corporate culture is the mental programming that distinguishes members of one organization from those of others. According to Stephen P. Robbins & Timothy A. Judge, (2012), corporate culture is a system of shared ideas developed by members of an enterprise to distinguish one business from others. Each business will have its own cultural identity, business behavior, and the perception of members in companies are different.

According to Recardo and Jolly (1997), when it comes to organizational culture, people often mention a system of values and beliefs that are understood and shared by members of an organization. A culture helps to shape and define the behaviors of members and policies within the organization. Organizational culture is accordingly measured based on eight dimensions. In general, "culture is deep, broad and complex" (Schein, 1992) and it can be understood that corporate culture is the foundation for the behaviors and activities of each individual in the organization, for the product and assets of each business.

Organizational commitment

Organizational commitment is an interesting topic in the field of organizational behavior. So far, there has been no generally accepted concept, organizational commitment remains a contested construct that has been conceptualized and measured differently. Through studying the diverse concepts of employee commitment to the organization, the authors would like to summarize as follows:

Mowday & et al. (1979) defined overall organizational commitment as the relative strength of the identification and involvement in a particular organization. This can be characterized by three related factors: a strong belief and acceptance of the organization's goals and values; a willingness to exert considerable effort on behalf of the organization; and a strong desire to maintain membership in the organization. Lok and Crawford (2004) stated that Mowday et al.'s (1982) conceptualization of organizational commitment is consistent with the attitudinal perspective.

Organizational commitment is defined as the psychological state of organization members, reflecting the extent to which each individual absorbs or accepts the characteristics of the organization that he or she participates in (O'Reilly & Chatman, 1986).

Behavioral commitment is concerned in the process by which an employee becomes a part of a particular organization and appropriate behaviors are exhibited by the employees (Meyer and Allen, 1991). On the other hand, attitudinal commitment examines organizational commitment in terms of the relationship between an employee and the organization, and the extent to which the employee and the organization share the same goals and values (Meyer and Allen, 1991). Meyer and Allen defined that organizational commitment is a psychological state that represents an individual's relationship with the organization, related to the decision to stay as a member of the organization. This study proposes 3 cohesive components including: Affective - motional commitment is the feeling of attachment, identification and commitment to the organization; Continuance - commitment to maintain is when employees realize that it will cost them to leave the organization; Normative - ethical commitment is a feeling of obligation to continue working. These authors explained that employees who are emotionally attached to the organization have additional motivation and contribute more than the others.

Organizational commitment is a psychological obliging force that binds employee to courses of action relevant to the target of the organization (Meyer & Herscovitch, 2001). Employees that have strong organizational commitment will decide to continue their employment with the organization because they choose to do so (Ghani et al., 2004).

In general, researchers believe that employees' organizational commitment is a psychological state promoting the connection and engagement of employees to organizations. This affects employees' continuation of their current jobs and positions in the organization, as well as helps them to accept the values of the organization and actively participates in the activities of the organization. Therefore, in order for employees to have a strong commitment to the organization, managers build a strong organizational culture to stimulate motivation and create trust among employees to engage with the business through good governance policies, fair pay and high appreciation towards their employees, and generate an atmosphere of solidarity between individuals and organization, between individuals and departments to accomplish organizational goals.

Since the three-component model was developed, it led to new development of organizational commitment and was in extensive discussion by many academics (Ketchand & Strawser, 2001). For the purpose of this paper, these three components (Meyer and Allen, 1991) of organizational commitment will be discussed.

2.2. Methodology

To achieve the stated research objectives, qualitative research was implemented using the following methods:

- Method of reviewing secondary documents: synthesizing, analyzing and evaluating research documents on corporate culture in the past time to learn and systematize the theoretical basis. From there, inheriting the research results of previous studies or reports, selectively inheriting these documents.

- Method of comparative analysis: this method aims to analyze, measure, and compare the research models used.

- Method of analysis, synthesis and generalization: this method is used to systematize and generalize theoretical issues in order to draw a research model on the impact of corporate culture on the young employee commitment for Vietnamese enterprises.

3. LITERATURE REVIEW

The impact of organizational culture on employee commitment was suggested in writings on organizational culture quite early. Deal and Kennedy (1982) said that organizational culture affects the commitment of employees within the organization and the strength of organizational commitment is correlated with the strength of corporate culture. A strong organizational culture enables employees understand the goals of the organization, and as they work towards organizational goals, their level of commitment increases. In empirical research, however, this correlation received little attention for a long time (Lok and Crawford, 1999). A positive organizational culture will increase employee commitment and cooperation, resulting in enhanced organizational effectiveness, high consensus on strategic directions, and increased productivity, better decision making, high commitment at all levels of employees (Thompson & Luthans, 1990) and create competitive advantages of the organization (Saeed and Hassan, 2000). Organizational culture is a critical factor in enhancing the attainment of organizational goals and objectives. So, there have been many empirical studies on the impact of organizational culture on employee commitment.

Zain et al. (2009) examined four dimensions of corporate culture, namely teamwork, communication, rewards and recognition, training and development on employees' commitment towards the organization. One hundred and ninety respondents from a Malaysian listed company participated in the survey. The results show that all dimensions of corporate culture chosen in this study are important determinants in motivating the employees to be committed to their organization. The findings implicate that an organization needs to be aware of the importance of these dimensions in providing a favorable working environment to its employees in attaining their full commitment for organizational success.



Figure 3.1. Framework of the Study of the Influence of Corporate Culture on Organizational Commitment on a Malaysian Listed Company

Source: Zain et al. (2009)

Shah et al. (2012) researched the overall effect of organizational culture on the organizational commitment in the context of Pakistan, specifically the faculty members in the public sector universities. The study identified that strengthened organizational culture increases the organizational commitment of the faculty members of public sector universities of Pakistan. The questionnaire comprising the questions of organizational culture and organizational commitment was employed to gather data. Organizational culture was studied along with its five variables namely: innovation and risk taking, attention to details, outcome orientation, people orientation, team orientation. The Organizational commitment was evaluated with its three variables namely; affective commitment, continuance commitment and normative commitment. The overall results obtained through Pearson correlations suggested that organizational culture was negatively related with organizational commitment in the faculty members of public sector universities of Pakistan.

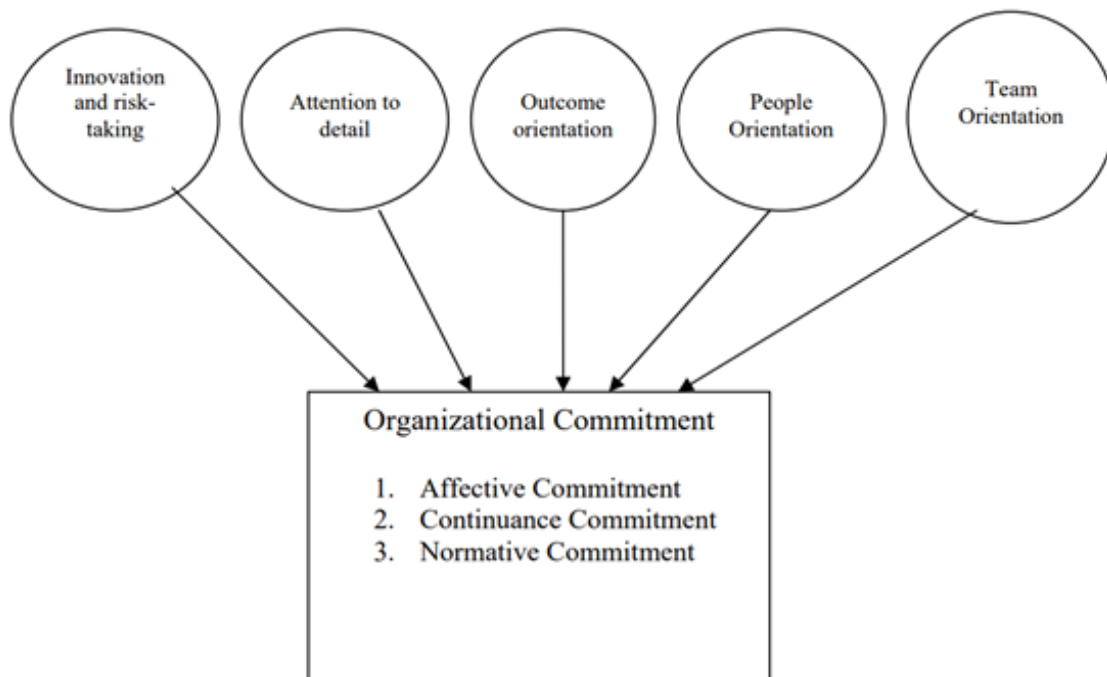


Figure 3.2. Research Model of the Study of the Impact of Organizational Culture on the Organizational Commitment - Faculty Members of Public Sector Universities of Pakistan

Source: Shah et al. (2012)

In much the same way, Nongo & Ikyanyon (2012) examined the impact of four corporate cultural variables on employee commitment to the organization in Nigeria. The participants for the study were made up of 134 employees from 18 selected small and medium scale enterprises (SMEs) in Makurdi metropolis. Corporate culture measures have been validated as involvement, consistency, adaptability and mission traits (Coffey, 2003; Denison 1990; Fey and Denison, 2003; Miller, 2004). The conceptualization of organizational commitment is measured via Mowday et al.'s (1979) organizational commitment questionnaire (OCQ). The study found that involvement and adaptability significantly correlated with commitment, while consistency and mission did not correlate with commitment.

Messner (2013) explored employee commitment and analyzed the impact of organizational culture as perceived by employees in the context of India's IT services offshoring industry. In this research, the nine dimensions of organizational culture were related to employee commitment using correlation and multiple regression analysis. These cultural dimensions are: Power distance, Institutional collectivism, In-group collectivism, Assertiveness, Future orientation, Uncertainty avoidance, Performance orientation, Gender egalitarianism and Humane orientation. Figure 3.3 shows the nine dimensions of organizational culture hypothesized to be involved in the development of affective, normative, and continuance commitment in the study.

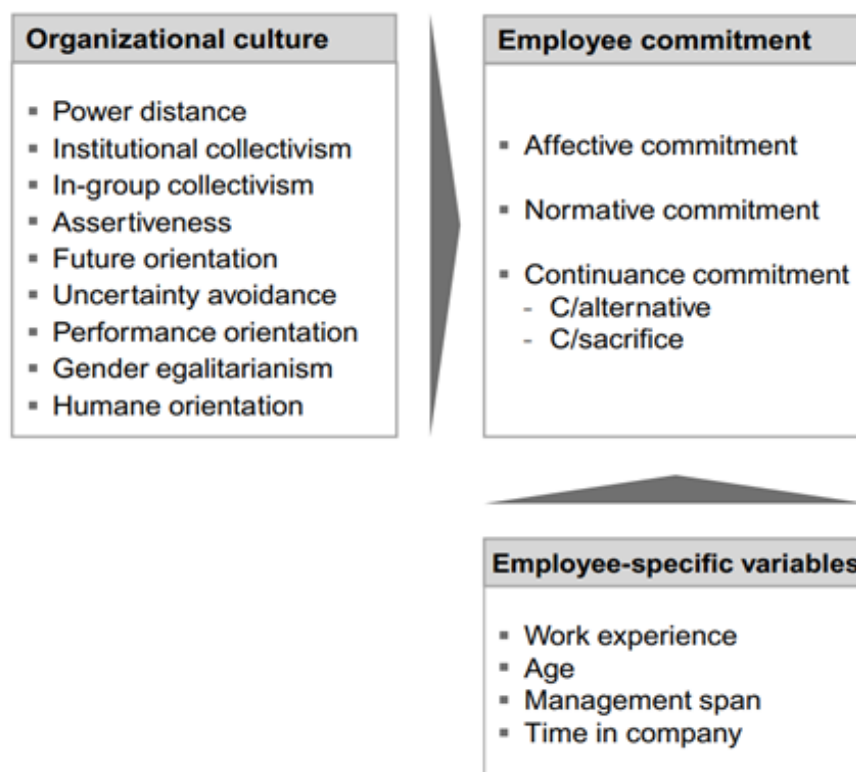


Figure 3.3. Research Model of the Study of Effect of Organizational Culture on Employee Commitment in the Indian IT Services Sourcing Industry

Source: Mesner (2013)

Shurbagi (2015) constituted an exploratory investigation into the relationship between the variables of the study such as job satisfaction, organizational commitment and organizational

culture and the effect of organizational culture on the relationship between job satisfaction and organizational commitment in commercial banks. The Job Satisfaction Survey (JSS) developed by Spector (1997) includes 20 items was used to measure five facets of job satisfaction such as supervision, benefits, rewards, operating procedure and co-workers satisfaction. The Organizational Culture Assessment Instrument (OCAI) developed by Cameron and Quinn (2006) as defined by the Competing Values Framework. Three Components Organizational Commitment Questionnaire (TCOCQ) developed by (Allen and

Meyer 1990) instrument for the multidimensional organizational commitment was adopted for this study to measure organizational commitment (Figure 3.4). From the study, it could be concluded that the relationship between the variables of the study such as job satisfaction, organizational commitment and organizational culture is positive and significant relationship and organizational culture as a mediating variable effect the relationship between job satisfaction and organizational commitment.

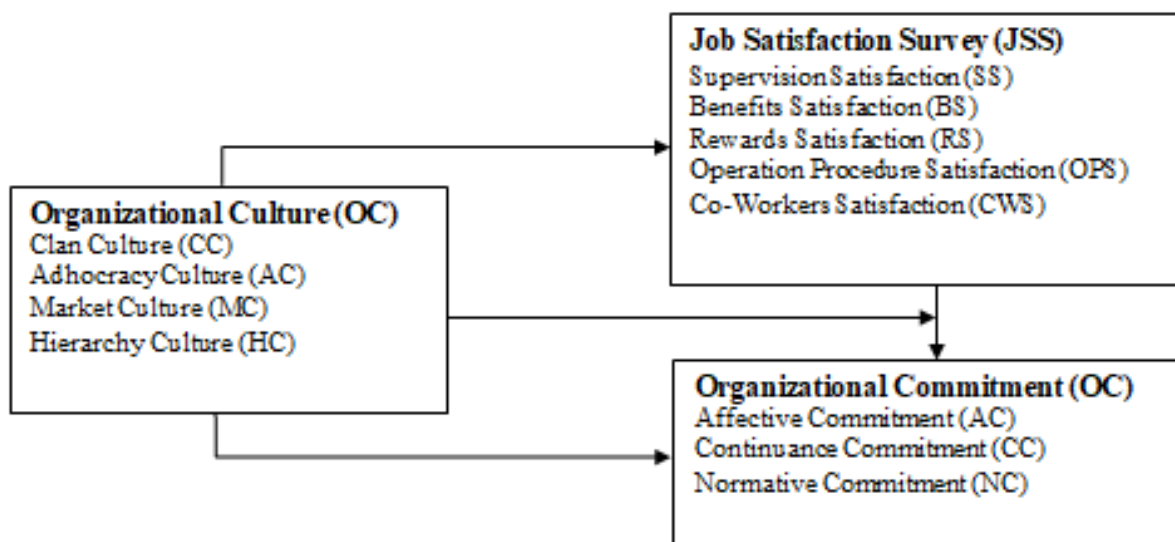


Figure 3.4. Research Model of the Study of The Effect of Organizational Culture on the Relationship between Job Satisfaction and Organizational Commitment

Source: Shurbagi (2015)

Recently, the study of *Cobbinah et al. (2020)* tests the mediating role of organizational commitment on this relationship as well as the moderating role of perception of organizational politics on employees' commitment and job performance (Figure 3.5). The study employed a quantitative survey and sampled 556 employees from the Metropolitan, Ghana. The empirical results from hierarchical multiple linear regressions revealed that clan, market and adhocracy culture had positive effects on job performance but hierarchy culture had no effect. The outcome of the study further shown that organizational commitment acts as a mediator in the relationship between organizational culture and job performance.

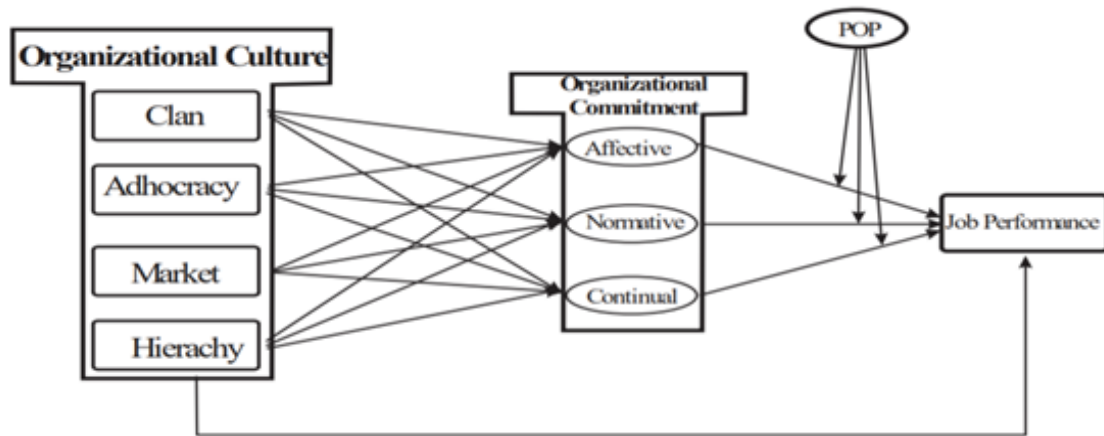


Figure 3.5. Research Model of the Study of the Effect of Organizational Culture on Employee Job Performance

Source: Cobbinah et al. (2020)

On the other hand, the study of *Park & Doo (2020)* provide an empirical analysis of how organizational culture and functional factors influence organizational commitment and job satisfaction for female managers in the Korean context (Figure 3.6). The findings of this paper indicated that organizational culture directly affected HR practices and indirectly affected job satisfaction and organizational commitment. In this study, four variables of the KWMP data were used for analysis: organizational culture, HR practices, job satisfaction and organizational commitment. Therein, *Organizational culture* was measured with five items about affiliation, membership, support and open communication; and *Organizational commitment* was measured with six items from the Affective Commitment Scale by Meyer et al. (1993). This study points to the significance of an integrative perspective of organizational culture and HR practices. The characteristics of organizational culture in the company should be reflected when designing and developing HR policies and practices. Related to the first limitation of this study, organizational commitment and organizational culture were measured from a unidimensional perspective (i.e. affective organizational commitment and clan culture).



Figure 3.6. Research Model of the Study of The effect of organizational culture and HR practices on female managers' commitment and job satisfaction

Source: Park & Doo (2020)

From the reference of these previous studies, *Tran et al. (2021)* applies the scale of Ricardo & Jolly in 1997 to measure the impact of corporate culture on the employee's commitment at Saigon Thuong Tin Commercial Joint Stock Bank in An Giang Branch. The research results are the basis for the bank to recognize the factors that affect employees' commitment to organization, enabling the bank to plan to improve employee cohesion with the bank and develop a team of professional personnel. However, because the sample size is too small and only in one enterprise, there is little basis for generalization.

In summary, review of the literature found that these cultural dimensions play an important role in motivating employees and hence provide high commitment towards an organization.

In terms of Organizational Culture, previous related studies mostly used the background from the study of Ricardo and Jolly (1997) to identify 8 aspects of corporate culture that are appropriate to the characteristics of the business. This is also a popular and effective measure of organizational culture expression used in many practical studies for many types of enterprises. Depending on the scope of the research, these aspects are synthesized or added to suit the actual research objectives through the use of expert interview method to calibrate the scale and build the research model. With a different approach when measuring aspects of organizational culture, some authors used the Organizational Culture Assessment Instrument (OCAI) developed by Cameron and Quinn (2006). Although this measure can assess the nature of corporate culture, from the point of view of the authors, it is not suitable to describe the manifestation of organizational culture and demonstrate its effectiveness in practical tests related to managing human resource. In terms of Organizational Commitment, the studies mentioned here all use the conceptualization of organizational commitment is measured via Mowday et al. (1979) - Organizational Commitment Questionnaire (OCQ). This is an evidence for the popularity of OCQ in empirical studies measuring employee commitment to the organization. In terms of the relationship, the impact of organizational culture on employee commitment has been studied as a direct influence and also through other mediating factors.

4. PROPOSED RESEARCH MODEL

The discussion in this study used a literature review performed to analyze the relationship between observed symptoms or phenomena. We intend to reveal the problem, examine and analyze the variables that the research focuses on. Examining these dimensions in such an organization provides further understanding and evidence on the importance of cultural dimensions to young employee's organizational commitment. The analysis used is effectual causal analysis to analyze the relationship between two or more phenomena. The formulation of research logical framework presented in this study focused on the framework of the relationship between organizational culture on employee commitment to this organization.

4.1. Proposed research hypotheses

On the basis of previous research findings and a consideration of the present study context, a number of hypotheses can be proposed:

Hypothesis 1. Organizational Culture impacts on Organizational Commitment

The purpose of this research question is to understand the influence level of the nine dimensions of organizational culture on three factors of employee commitment. Changing an organization's culture is one of the most difficult leadership challenges because it comprises an interlocking and mutually reinforcing system of goals, values, processes, roles, practices, and assumptions; it is a large-scale undertaking and requires a well thought out strategy with single-fix changes that are not likely to be successful, because the interlocking will take over and maneuver the attempted change inexorably back into the existing system (Denning, 2011). Figure 3.1 shows dimensions of organizational culture hypothesized to be involved in the development of affective, normative, and continuance commitment. There are three specific hypotheses as follows:

H1a: There is a relationship between Organizational Culture and Affective commitment

H1b: There is a relationship between Organizational Culture and Continuance commitment

H1c: There is a relationship between Organizational Culture and Normative commitment

Hypothesis 2. Personal Traits affects the relationship between Organizational Culture and Organizational Commitment

Personal Traits shows employee-specific demographic variables, such as gender, age, family background. There is no casual ordering of these variables to the relationship between organizational culture and organizational commitment, but it is of practitioner interest to see if they might moderate this relationship; this would have a managerial implication for establishing strategies and guidelines for young employee retention and motivation management.

Variable measures

The measures are organizational culture and organizational commitment. The study finds the way to examine the relationship between these two variables in which corporate culture is viewed as the independent variable while organizational commitment is viewed as the dependent variable.

In this paper we base our discussion of corporate culture dimensions on a slightly modified version of Recardo and Jolly's (1997) work. After conducting the factor analysis, eight established dimensions of corporate culture have been adopted in this study, namely: communication, training and development, rewards, effective decision making, risk-taking for creativity and innovation, proactive planning, teamwork, and fairness and consistency in management practices (see Table 4.1). In order to understand whether different corporate culture dimensions have different effects on employees' commitment, the effects of each individual dimension are discussed as follow. Responses to these items were measured on a 5-point Likert scale from 1 = "strongly disagree" to 5 = "strongly agree."

Table 4.1. Organizational Culture Scale

Dimension	Scale Items
Communication	<ul style="list-style-type: none"> - Management regularly provides customer/supplier feedback and sets up opportunities for direct, face-to-face meetings between team members and customers/suppliers. - These communication linkages are regularly used to identify process and product improvement. - Continuously improve communications between management and staff is stated as an important company objective and is being practiced. - The company employees' communication is effective in communicating things that are relevant to them.
Training and development	<ul style="list-style-type: none"> - Employees are encouraged to accept education and training within the company. - Resources are available for employees' education and training within the company. - Most employees in this company are trained on how to use quality management methods (tools). - Specific work-skills training are given to all employees.
Reward and recognition	<ul style="list-style-type: none"> - This Company improves working conditions in order to recognize employee quality improvement efforts. - The company's compensation system encourages team and individual contributions. - Reward and Recognition system within the company rewards relationship and task accomplishments based on work quality. - All suggestions are appropriately rewarded in cash and kind. - Employees' rewards and penalties are clearly communicated.
Effective decision making	<ul style="list-style-type: none"> - Do the job to the best of your ability. - Participate in important decision making. - The right decision benefits the company. - Get your feedback before making important decisions.
Risk-taking for creativity and innovation	<ul style="list-style-type: none"> - Encourage learning mistakes in creativity to learn from experience. - Appreciate employees' new ideas. - Encourage doing work in a different way than people used to do. - Efficiency improvements are rewarded with money or other forms.
Proactive planning	<ul style="list-style-type: none"> - Have a clear future development strategy. - Publicly share information about company goals. - Advocacy on company goals. - Plan for changes that could impact business results.
Teamwork	<ul style="list-style-type: none"> - Enjoy working with everyone in the department. - Willing to cooperate with each other and work as a team. - Get cooperation of departments. - Team work is always encouraged and implemented.
Fairness and consistency in management practices	<ul style="list-style-type: none"> - Fair promotion and reward policies. - There is no bias in consideration of salary increase or promotion. - Appropriate wages and fair distribution of income. - Be consistent when implementing policies related to employees.

Source: Recardo and Jolly (1997)

The Organizational commitment was evaluated with its three variables namely: affective commitment, continuance commitment and normative commitment. Organizational commitment was measured using Three Components Organizational Commitment Questionnaire (TCOCQ) developed by Allen and Meyer (1991). The instrument measures the three dimensions of organizational commitment includes items that measure affective, continuance and normative commitment. There are 18 items in the scale, each dimension of organizational commitment (affective, continuance and normative) has 6 items (Table 4.2). A five-point Likert scale will be used with responses ranging from (1= strongly disagree; to 5= strongly agree).

Table 4.2. Organizational Commitment Scale

Dimension	Scale Items
Affective Commitment	1. I would be very happy to spend the rest of my career in this organization. 2. I really feel as if this organization's problems are my own. 3. I do not feel like 'part of my family' at this organization. 4. I do not feel 'emotionally attached' to this organization. 5. This organization has a great deal of personal meaning for me. 6. I do not feel a strong sense of belonging to this organization.
Continuance Commitment	7. It would be very hard for me to leave my job at this organization right now even if I wanted to. 8. Too much of my life would be disrupted if I leave my organization. 9. Right now, staying with my job at this organization is a matter of necessity as much as desire. 10. I believe I have too few options to consider leaving this organization. 11. One of the few negative consequences of leaving my job at this organization would be the scarcity of available alternative elsewhere. 12. One of the major reasons I continue to work for this organization is that leaving would require considerable personal sacrifice.
Normative Commitment	13. I do not feel any obligation to remain with my organization. 14. Even if it were to my advantage, I do not feel it would be right to leave. 15. I would feel guilty if I left this organization now. 16. This organization deserves my loyalty. 17. I would not leave my organization right now because of my sense of obligation to it. 18. I owe a great deal to this organization.

Source: Allen and Meyer (1991)

4.2. Proposed research model

From the literature review and related theoretical research models as well as the synthesis of many analytical methods, we discover a theoretical research model on aspects of organizational culture, and its effect on employee commitment to the organization is widely accepted as non-existent. This also explains why the method of performing exploratory factor analysis is the most commonly applied method when researching on this topic. Although all studies have shown that organizational cultural factors affect employee commitment, they only focus on factors of communication, rewards, training and development, and teamwork. These dimensions of corporate

culture have been selected because they have previously been identified as those likely to have the greatest effects on employee behavior and attitudes (Recardo and Jolly, 1997). However, the relationship between organizational culture and organizational commitment is not exactly the same in different types of employees. This seems to limit the explanatory power of the research model, especially regarding the characteristics of the research sample, which are young employees of the generation Z. According to Mawhinney and Bett (2021), generation Z will soon surpass Millennials as the most populous generation on earth, with more than one-third of the world's population counting themselves as Gen Zers. Radically different from Millennials, this generation has an entirely unique perspective on careers and how to define success in life and in the workforce. The finding of this study explored their career aspirations, career development, working styles, core values, behavior and character, education, and stance on diversity.

Recognizing the above research gap, we decided to supplement and expand the experimental research model by adding moderator variable namely Personal Traits, including: Gender (Male/Female), Family background (family income/parental education), Age (under 30) to the research model. These Qualitative variables determine whether or not and how these factors affect the relationship between organizational culture and young employees' commitment to Vietnamese enterprises. To evaluate the effects of these moderator variables, we will use multigroup analysis by using SmartPLS software.

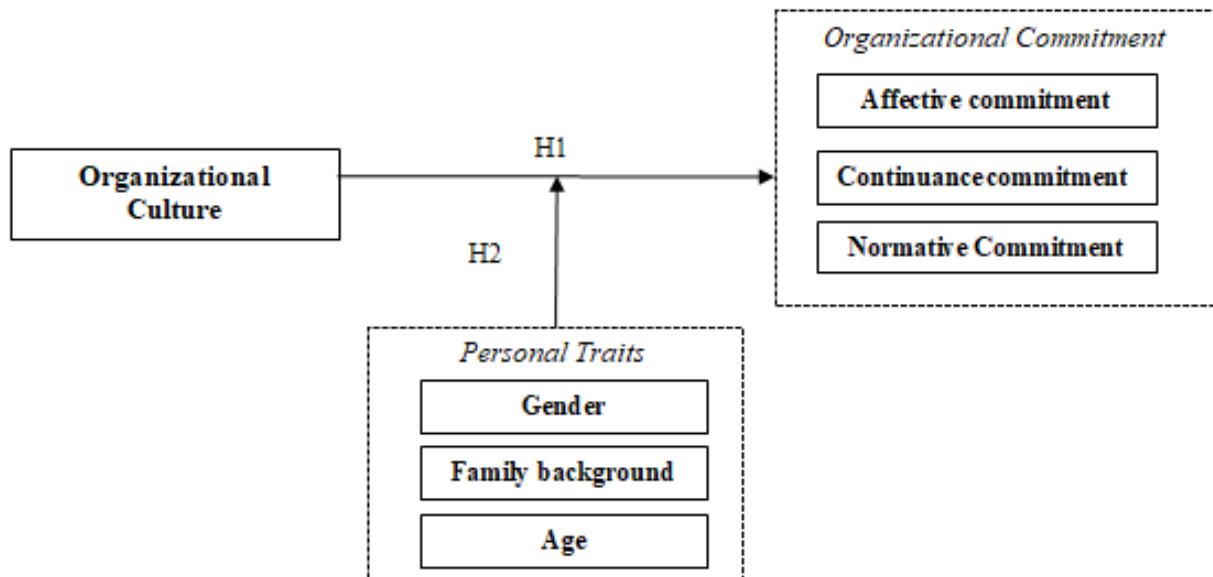


Figure 3.1. Proposed research model of impact of organizational culture on young employee commitment to enterprises

Source: Authors' research

Thus, the theoretical framework of this paper comprises organizational culture as an independent variable in relation to organizational commitment as a dependent variable, which are constructed in the framework as depicted in the Figure 3.1.

5. CONCLUSION

Nowadays, to effectively attract and retain young human resources is a matter of concern for enterprises. Possessing a strong organizational culture can create a huge impact on retaining young human resources in an enterprise to strengthen a sustainable competitive advantage in the current era of digital transformation and rapid integration. Building a research model is an important step in the research work of the authors in the coming time as well as to ensure the accuracy and applicability of the research into practice. This will be the premise to conduct empirical studies to test the model as well as measure the impact of organizational culture on the commitment of young employees. The research model proposed above is the suggestion for Vietnamese enterprises to increase the commitment of young employees through organizational cultural factors. From there, the experimental research results will provide information for enterprise managers, serve as a basis for policy making to maintain young human resources, build incentive mechanisms for employees and employees and increase the efficiency of human resource management in the enterprise.

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ORIENTATION FOR DEVELOPMENT OF VIETNAMESE CORPORATE CULTURE IN THE CONTEXT OF INDUSTRIAL REVOLUTION 4.0

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Abstract: *The article presents the orientation of developing Vietnamese corporate culture on the basis of the industrial revolution 4.0. Accordingly, the study is based on the theory of corporate culture development to explain the nature and type of corporate culture capable of adapting to the requirements of the industrial revolution 4.0. By using secondary data collection and analysis, the research results show that creative culture plays a key role in increasing competitiveness. On the basis of research and analysis results, the authors synthesize, process and propose the type of corporate culture suitable to the requirements of socio-economic development. The paper also proposes a two-stage process to change corporate culture for Vietnamese businesses to meet the requirements of the industrial revolution 4.0.*

Key words: *Industrial Revolution 4.0, corporate culture, creative culture*

1. INTRODUCTION

Corporate culture and business ethics in the context of the market economy are always key factors, determining the success or failure as well as affirming the sustainable brand of each business. Moreover, industrial revolution 4.0 (IR 4.0) is happening very rapidly, promoting competition and blurring the boundaries among industries. It not only helps to improve production efficiency, save costs, but also helps the enterprises innovate in production and business to rapidly and accurately respond to the increasing requirements of customers. The effect of IR 4.0 creates a driving force for a change in business thinking and culture which is always to creatively innovate technology chains, appropriate business and management models, and to operate enterprises in the direction of creative and competitive thinking about intelligence and application of new technology to create high productivity and efficiency. Enterprises in Vietnam also realize that it is required to improve their cultural background in the situation of the IR 4.0. However, the questions of how to change, what new technology needs to be applied and which core factors should be retained force businesses to find answers before conducting any changes.

2. THEORETICAL BASIS

Industrial Revolution 4.0

The Fourth IR is a combination of technology in the fields of physics, digital technology and biology, which entirely creates new production possibilities and has a profound impact on economic, political and social life of the world.

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If the first IR used water and steam power to mechanize production, the second revolution took place due to the application of electricity for mass production, the third revolution used electronics and information technology to automate production, the Fourth IR is now emerging from the third revolution. It brings technologies together, blurring the lines among physics, digital technology and biology. IR 4.0 facilitates the creation of smart factories, the development of the internet of things, which helps create a virtual copy of the physical world and allow people from all over the world to connect with each other through the service internet via mobile devices anytime, anywhere.

According to the International Labor Organization (ILO, 2018), "IR 4.0 is characterized by rapid technological advancement through increased use of mobile communication and interconnectivity ('internet of things'), big data, artificial intelligence, robotics, autonomous vehicles, 3D printing, nano and biotechnology, quantum computing etc."

It is possible to generalize four main characteristics of IR 4.0: Firstly, the combination of new sensor technology, big data analysis, cloud computing and internet of things connection will promote the development of automated machinery and intelligent production system. Second, the 3D printing technology which manufactures products completely by unifying production lines without assembling auxiliary equipment allows people to print out new products using non-traditional methods, bypassing the intermediaries and reducing production costs as much as possible. Third, nanotechnology and new materials create new material structures that are widely applied in most fields. Fourth, artificial intelligence and cybernetics enable people to control remotely without limitation in space and time and to interact more rapidly and accurately.

Definitions of corporate culture and development of corporate culture

Culture is an abstract concept that is commonly used in many studies and articles but has no fixed meaning or tangible description. "Culture" is one of the most complex concepts in human languages. In 1952, two American anthropologists, Alfred Kroeber and Clyde Kluckhohn, listed up to 164 different definitions of culture in famous researches around the world (Spencer-Oatey, 2012). By the mid-twentieth century, the American Heritage Dictionary introduced a definition that has remained unchanged until now: "Culture is the entire of patterns of behavior, art, beliefs, rules, as well as all other products of human thought and labor" (According to Tharp, 2009, p.2).

Corporate culture, organizational culture or company culture is a new field of research in the past few decades. Definitions of this concept are still very diverse, reflecting the novelty of the problem, the disagreement state of the approach, concerns, widely scope of influence and application of these concepts.

According to the International Labor Organization (ILO), corporate culture is a distinctive combination of values, standards, habits and traditions, attitudes and rituals, that all of them are unique for a known organization.

A popular and widely accepted definition given by an organization research expert Edgar Schein: "A pattern of shared basic assumptions that the group learned as it solved its problems of

external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way you perceive, think, and feel in relation to those problems.” (E. Schein, 2010).

According to Nguyen Manh Quan (2011), corporate culture is defined as a system of meanings, values, dominant beliefs, perceptions and thinking methods agreed upon by all members of an organization and has a wide-ranging influence on the members' behavior.

On the basis of inheriting the studies of scholars and logical research systems on general culture and business culture, corporate culture can be defined as follows: “*Corporate culture is the totality of culture factors which are selected, created, used and expressed in business activities by an enterprise, establishing the business identity of that enterprise*”.

Development of corporate culture is an important content of enterprise management activities, which is firstly the responsibility of the head of the enterprise and the leadership along with the responsible participation of employees in the enterprise. According to Nguyen Thi Lan Huong (2015), the development of corporate culture is a series of management activities, so that the value of corporate culture is always in a dynamic state: maintained, spread, expanded, and added new values. Because only in a dynamic state, the value of corporate culture can actually live in the environment of the enterprise itself and continue to give rise to new values, new knowledge, to enrich and perfect the established values. Developing corporate culture is the totality of measures of the enterprise, which are maintained, promoted and supplemented with special cultural values by all members in the enterprise, in order to maintain the reputation, brand and competitiveness of enterprises in the economy.

Types of corporate culture

Based on the previous research situation, the general culture for all types of enterprises is divided into many typical types of corporate culture according to different approaches. In the approach to the nature of human relationships in the organization, corporate culture is a combination of two dimensions. One is relationships based on subjective values, personal feelings; the other is relationships based on objective values, rationality and collective values (Carlos and Denise, 2008). The second approach concerns the way that power is exercised in the organization. At one extreme, organizations emphasize on the power of each individual or job position; on the other hand, organizations perform equality and fairness in both internal and external environments, causing a disadvantage in the execution of power.

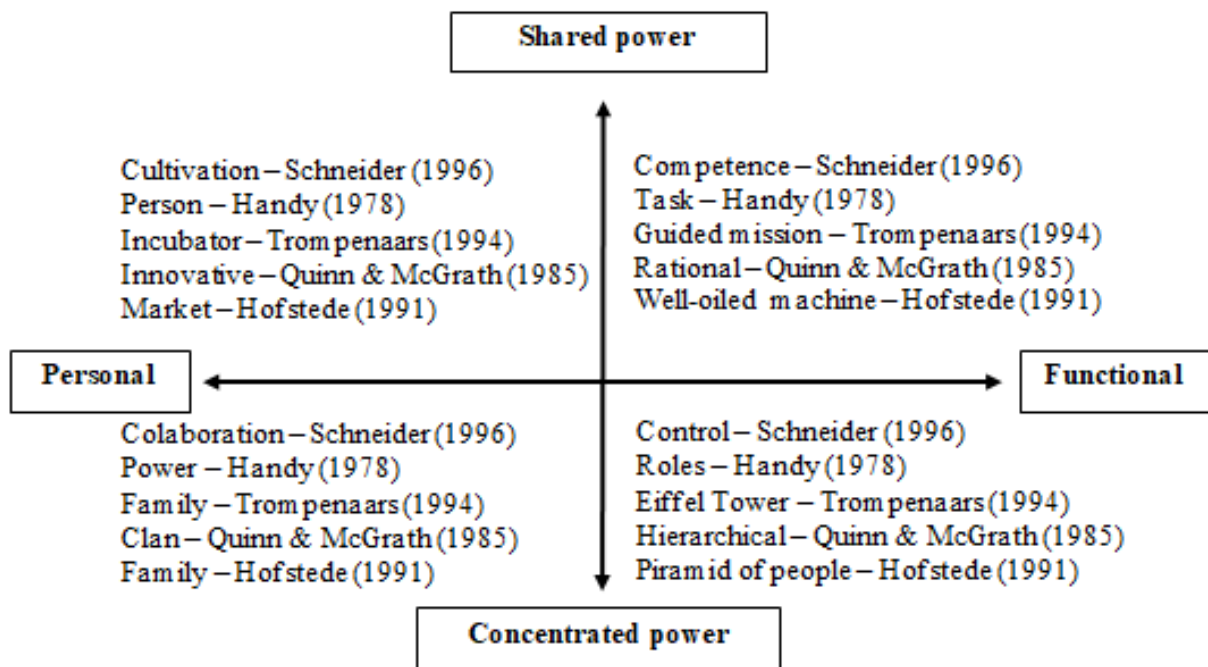


Figure 2.1. Typology of corporate culture

Source: Carlos and Denise (2008)

In Figure 2.1, each of four quadrants represents a type corporate culture. The first quadrant (lower left) shows the overlap between the concentration of power and the personal nature of human relationships. These organizations are typical family businesses, small businesses in which power is concentrated in the head of the business. The second quadrant (lower right) shows the overlap between the concentration of power and the functional nature of human relationships. In this quadrant, the typical bureaucracies are represented, power is concentrated in prescribed rules and procedures and human relationships are guided by the roles and work performed by individuals in the organization. The third quadrant of the figure (upper right) is the overlap between human relationships of a functional nature and shared power. In these organizations, reason plays a more important role than emotions, especially the concentration of power. These organizations work in sequence and are results-oriented through project teams in which each task can have a different leader. These organizations always look for professionalism; hence, business leaders have centralized power. In the last proposed type of culture (upper right quadrant), an overlap between human relationships of a personal nature and shared power is found. In these organizations, what is important is not only professional development, but also the innovation and personal satisfaction of the individuals associated with them. The organization exists to satisfy everyone, both those inside the organization and those who have contact with the organization such as customers, the community, suppliers, and society in general. Power is shared as much by the organization's employees as by customers and other stakeholders.

However, relevant empirical studies in the world and in Vietnam mostly use the OCAI Model based on the Competing Values Framework proposed by Quinn and Cameron (1999) to measure

attributes of corporate culture. The authors Cameron and Quinn (2006) call four types of corporate culture as clan, ad-hocracy, hierarchy and market.

(1) Clan culture: A highly collaborative working environment where every individual is appreciated and communication is a top priority;

(2) Ad-hocracy culture: High appreciation of individuality in the sense that employees are encouraged to think creatively and present their ideas;

(3) Market culture: Results-oriented organizations that focus on external success rather than internal satisfaction by emphasizing the importance of meeting quotas, achieving goals and results;

(4) Hierarchy culture: Companies that focus on internal organization following an obvious chain of command and multiple levels of management separating employees and leaders.

3. METHODOLOGY

The paper was conducted through a desk research with qualitative method. The secondary data sources are collected and analyzed in accordance with the purpose of the study. In order to orient the development of corporate culture in Vietnamese enterprises, the article focuses on research methods, analysis, evaluation and synthesis of researches; information and data reports related to the development of corporate culture in the context of the industrial revolution 4.0. The article has given an overview of the research problem and personal ideas proposed in the form of recommendations for the development of corporate culture in Vietnam. This is a common method for performing an initial assessment of resources. It has been used to discover sources of information and overview of the research problem. This methodology has been combined with comparative analysis and systematic thinking of clarifying the significance of the research, academic gaps and lesson learned.

On the basis of research and analysis results, the authors synthesize, process and propose the type of corporate culture that is suitable for the requirements of socio-economic development, and at the same time propose the process of changing the corporate culture in Vietnamese enterprises in the future.

4. RESEARCH RESULTS

Corporate culture characteristics

Today in Vietnam, as well as all over the world, corporate culture connects and multiplies the values of each individual in the human resources of enterprises. Besides, corporate culture is also reflected in the leadership style of the top managers and the working style of all employees. Therefore, in addition to caring about the company's profits, partners also evaluate that business through its culture. In general, office culture and corporate culture in Vietnam still have some certain limitations. The culture is built on a low intellectual background and the working environment has many shortcomings. This fact leads to narrow views, low professionalism and has inadequate concept of competition and cooperation, education and training and no mechanism to use people for each position. On the other hand, Vietnamese corporate culture also has other dominant factors such as national culture.

According to Le Van Toan (2016), Vietnamese culture has some main peculiarities such as a sense of community, a preference for harmony and a facilitation for coordination. As a result, on the one hand, Vietnamese people are good at recognizing the bigger picture and establishing relationship. On the other hand, they are superficial, shallow and dependent too much on their relationship to earn a living. The final characteristic of Vietnamese culture is the flexibility. Vietnamese people are highly adaptable and creative but they can also be uncontrollable, careless and reckless of the law.

An overview of main characteristics of Vietnamese culture shows that the core qualities or values of Vietnamese people are senses of patriotism, national pride, humanity, community and sophistication. Culture and its characteristics are inconstant. Rather, they keep changing in response to changes in natural conditions and development of the human society. However, office culture and corporate culture in Vietnam generally have some certain limitations. Many businesses have built a culture, but most of them just pause at the surface, movements and rituals are partly implicit. And the most important core of corporate culture such as attitudes, responsibilities, beliefs, standards is not methodically and clearly performed. In addition, Vietnamese people are also afraid of change, which means that they do not dare to innovate, go beyond the "safe zone" to achieve higher development. They are also old-fashioned in respecting experience and conservative habits. This issue will affect the establishment of corporate culture in Vietnam, hinder businesses to integrate and adapt to the global business environment. It is difficult for enterprises to break through, develop their economy and position their business to new heights.

The study of Nguyen Quang Trung (2021) has briefly introduced the cultural characteristics in the USA, China, Korea, Japan, Singapore and EU (see Table 1). This is a diverse and colorful picture and its theme is the culture in developed countries, which is a useful reference for Vietnamese small businesses on the path of developing corporate culture and asserting their identity.

Table 1. Corporate cultural characteristics of startups in developed countries

The nations	Typical research	Core values
The United States	Shaker et al. (2004), Block & Keller (2011), Studholme (2014), Kegel & College (2016), Farley (2018)	Corporate culture is truly an invaluable asset of the IDE that comes from differentiation, a streamlined and digitized structure is a special advantage of IDEs, cultural characteristics IDE USA and EU appreciate creativity and innovation, taking risks.
European Union	EY (2015), Klaus (2016), Zhu et al. (2018)	
Chinese	Chen et al. (2000), Zhang (2007), Gadner et al. (2015), Boontanapibul (2010)	Traditional culture is the foundation of corporate culture, the corporate culture acquires new values on the one hand, but at the same time the corporate culture must follow value system of traditional culture.
Singapore	Low (2009, 2011), Tan (2015), Ortmann & Thompson (2016)	

Japan	Kippenberger (2002), Peng (2009), Noriko et al (2010), Kegel & College (2016), Kushida (2017), Nakagawa et al. (2018)	A harmonious combination of East and West based on family cultural identity and national culture is the key to success in building corporate culture, that towards people, people-centered and for human development.
Korea	Rhyu (2005), Hong and Geon-Cheol (2008), Choong and Jennifer (2014), Gadner et al. (2015)	

Source: Nguyen Quang Trung (2021)

This study concludes that modern business structures in Vietnam should rapidly establish a strategy to develop corporate culture towards adapting to the new era and rich numbers are created by the spirit of innovation, changing the corporate governance method, enriching the company's cultural values on the basis of absorbing traditional elite values.

Nowadays, Vietnamese enterprises are facing new opportunities. Economic globalization requires that the establishment of a corporate culture must take wise steps and have right decision. The internationalization of corporate culture cannot happen, but on the basis of Vietnamese culture to attract the quintessence of humanity, create an advanced corporate culture that is appropriate to the situation and needs of the world.

Requirements of IR 4.0 in developing corporate culture

IR 4.0 is creating rapid changes in the management, administration and development of businesses on an international scale. Leadership with the right perception and clear digital transformation strategies will success. Leaders must have a clear understanding of new technology in order to successfully apply in culture and change the enterprise's processes.

According to Miranda Kwong (ILO, 2018), there are four priority areas of action for Viet Nam's labor market to meet the requirements of the 4th IR. They are: Moving up the skills ladder, Sectoral approach to employment creation, The importance of labor market and Active labor market policy and social protection. Having the right skills to increase the ability to adapt to the need of the labor market and drive the process of technological advancement forward is critical. A combination of both technical skills (such as STEM) and core skills (creativity, critical thinking, communication, teamwork etc.) are needed to best equip the labor force and foster resilience to the evolving labor markets. In particular, partnership between policymakers, business and training providers are required to ensure adequate supply with demand in the labor market. Besides, as Viet Nam will increasingly witness the impact of technological change at the workplace, the effects will vary considerably across sectors. An effective development strategy calls for expanding sectors that generate more value-added and employment, with large multiplier effects and upstream and downstream linkages to the domestic economy. The new growth model would need to be, in order to be inclusive and sustainable, built around higher technological value-added and productive sectors that nurture quality employment and other qualitative dimensions of the domestic economy. Additionally, governance Viet Nam could increasingly compete in global markets based on higher productivity and better working conditions. With accelerated changes under IR.4.0, workers who are more frequently moving from one job to another will need to be supported. Effective 'active labor market policies' that help to connect people with jobs are important to constantly help workers

to develop new skills; ensure smooth transition from one job to another; provide skill training and unemployment insurance during the gaps between the jobs. Only with proper social protection, including unemployment insurance, workers' move from lower to higher productivity sectors and jobs will be facilitated.

According to Do Minh Cuong (2019), although the industry and economy are very diverse, the 4.0 standard still requires the entities to follow some common operating principles. Consequently, the construction and management of corporate culture of Vietnam in the future must also be established and standardized according to the following principles:

First, enhancement of communication and interaction: The ability to communicate and connect of machines, devices, sensors and people through the internet of things network or a network of tens of thousands of people connected to the internet... will be certain to grow intensely and explosively in the upcoming time, facilitating to promote interaction between the Government and businesses as well as entrepreneurs.

Second, information transparency: Information transparency will help Vietnamese goods and agricultural products sell at higher prices; management of companies, localities... and national governance is performed scientifically and automatically, thereby improving efficiency, decision-making speed and overall efficiency.

Third, assistive technology: Assistive technology increases the ability of human support systems by aggregating and visualizing information holistically to make effective and timely decisions and solve urgent problems through brief instructions. In addition, the ability of cyber-physical systems is to assist humans in performing tasks that are complex, labor intensive or unsafe for humans.

Fourth, decision-making decentralization: Artificial intelligence (AI) and cyberspace systems are designed and decentralized by humans to allow simple decision-making and automatic task performance. AI can automatically perform intelligent behaviors, such as the ability to interact with people, can learn and intelligently adapt to many situations.

Fifth, the guiding principle on views, attitudes and approaches to investment, industrial development and the 4.0 economy: It is the development of new technologies and business models that must comply with the principles and obligations of morality and humanity.

In addition, regarding the development of human resources in corporate management, the authors fearlessly give two more urgent implications as the foundation for the innovation process and development of corporate culture in Vietnamese enterprises in appropriate with the current competitive background.

(1) *Awareness improvement of IR 4.0 within enterprises.* The implementation of the concept of IR 4.0 requires the participation of top managers in promoting the management activities to completely change and the processes to align organizational structure and production according to the demand to create the connection value. Collaborative, exploratory, and business mindsets are the success factors needed to establish a company's most important resource which is employees. Managers should be willing to convince employees of the beneficial nature of IR 4.0 and actively solve their concerns. In light of this fact, employee training and development should be geared

towards IR 4.0 specific competencies and skills, such as data analysis, IT, software, and human-computer interaction know-how. IR 4.0 provides economic, environmental and social opportunities and benefits (Dubkevics & Barbars, 2010). In general, Vietnamese companies are highly aware of the existence of a trend called IR 4.0. This readiness is mainly expressed at the upper management level rather than at the middle level. Companies still lack their own IR 4.0 strategy and they have not assigned responsible personnel to further deepen the principles of IR 4.0. This leads to the fact that the higher penetration of IR 4.0 principles into companies is limited by the unclear benefits and in many cases, the high costs associated with the application of IR 4.0 solutions.

(2) *Maximum attention to human resource training and development to create knowledge power for the company.* The training and development of human resources or the development of a company's knowledge culture in the era of IR 4.0 can be considered as important as (maybe more important) financial or technological results with regard to the measurement of innovation performance. Innovation productivity tends to be adjusted not only by the volume of research and development (R&D) spending, but also by a company's ability to coordinate human resources. There are many studies proving the influence of human resource on innovation implementation (Cabello-Medina, López-Cabrales, & Valle-Cabrera, 2011; Sokolová, Mohelská, & Zubr, 2016). Specifically, those studies coincided in acknowledging positive effects on a company's R&D performance towards the knowledge, abilities, and skills of employees in the R&D department. Another important factor analyzed in the literature regarding enhanced performance is the employee's motivation for creativity and innovation (Çekmecelioğlu & Günsel, 2013). Finally, the environment in the people-to-people relationships which are formed within the R&D departments is also considered as an incentive for innovative value creation and improvements in internal processes taking place in this activity (Žižlavský, 2016).

Proposed corporate culture model suitable for IR 4.0

Based on the characteristics of IR 4.0 as well as the requirements of the construction and development of corporate culture in Vietnam, the authors find that the culture type that promotes creativity and individuality (Adhocracy culture) contributes to promote the role of the sustainable competitive tool with regard to improve the operational efficiency of enterprises, although not many businesses dignify this culture type in reality. Innovation in organizations is imperative in a global world with diverse business contexts and gradually strict markets. Meanwhile, it can be said that creativity is a systematic project. This project will involve organizational structures, products, technical support, and team building. Enterprises need to organize their working environment to be more convergent, optimize organizational structures, improve working processes, combine multiple information sources and ameliorate supply systems to systematically innovate the information and communication background, thereby optimizing and improving the overall work of the enterprise. Innovation requires investment in R&D as well as a type of organizational culture to stimulate and promote this activity to develop. The characteristics of a positive culture encourage, but not inhibit or constrain innovation. The importance of an innovative cultural model is the basis for cultural transformation emerging later. Studies around the world have also shown that organizational culture is one of the most important factors in stimulating innovation, through influencing employee behavior to promote the acceptance of innovation as a fundamental value of the organization

and the employees' commitment to it. Consequently, businesses should concentrate on fostering an innovation culture. In company with the appropriate management approaches to develop an organizational culture that can support an innovation environment and facilitate entrepreneurship in the concept of IR 4.0.

5. CONCLUSION AND RECOMMENDATION

Vietnamese enterprises need to change their management approach to support the innovative solutions needed to effectively implement and operate the concept of IR 4.0 in their organization. This process can take place in two stages as follows:

First, the identification stage – or diagnosing the attributes of the organization's current corporate culture. Currently, many models are used in the world, for example: Hofstede's cultural dimension model (1980), Handy's classification of organizational culture (1985), The Denison Organizational Culture Survey (DOCS) of Denison (1990), The Organizational Culture Assessment Instrument (OCAI) of Cameron and Quinn (2006), Business classification based on six different criteria to identify corporate culture of Jim Sellner's (2009) ... However, as mentioned above, when studying the types of corporate culture, we cannot fail to mention the case study on shaping and changing organizational culture of Cameron and Quinn. Kim Cameron and Robert Quinn conducted research on organizational effectiveness and success. Based on the Competitive Value Framework - CFV, they developed the Organizational Culture Assessment Instrument (OCAI) that distinguishes the four types of culture as stated. Based on these four categories, enterprises can determine their current corporate culture and their desired style in the future, and build strategies to maintain, orient and change corporate culture. Using the above 4 cultural forms is very effective in capturing the strengths and weaknesses of the current corporate culture and planning for changes if needed. OCAI is also the model that is evaluated as suitable for the researches to identify the corporate culture model in the world in recent years. This model has been applied to more than 10,000 organizations around the world, helping businesses succeed in the process of strategic transformation, culture change, restructuring or mergers and acquisitions. In Vietnam, research of PhD. Trinh Quoc Tri (2009) was a consequence of the OCAI method which was applied to the business environment of Vietnam with four types or four criteria to assess corporate culture called CHMA. Research also shows that if the business actively orients the culture change, it will change according to the business's will, otherwise, the corporate culture still exists and changes spontaneously against the business's will. In addition, the system of criteria for identifying Vietnamese corporate culture was also studied by Do Huu Hai (2014) by quantitative method to determine the criteria to identify Vietnamese corporate culture in terms of: Control, Coordination, Moderation, Leadership Control, Leadership Experience and Leadership Responsibility. It can be seen that there are many models that businesses or researchers can apply in identifying corporate culture. Researchers should determine the research objectives and evaluate the compatibility of the chosen model. Business owners can outsource by using corporate culture measurement services provided by organizations in Vietnam and around the world to increase efficiency and specialization.

Second, the stage of changing the corporate culture form in order to achieve the development goals of the organization. Corporate culture is assumed as a set of beliefs, expectations and values that are learned and shared by all members of an organization and passed on from generation

to generation. In most cases, in order to maintain development and long-term survival in the competitive pressures, enterprises must innovate their business strategies and also adjust their organizational culture to suit the strategy. For example, an enterprise with its strategic goal is to become a pioneer in a new technology must build a corporate culture in which employees are stimulated to be endlessly creative. However, as corporate culture is a factor that tends to be "anti-change", the process of changing organizational culture is considered one of the biggest challenges for most businesses. This may stem from the fact that corporate culture is similar to the habits formed over many years from the reciprocal interaction between members, so it is difficult to change; or corporate culture is influenced by the founders. Business managers tend to hire people with the same style as them, thus the established culture of the enterprise will be strengthened and developed by new employees. Reluctance to change can also be explained that members of an organization are often comfortable with the current culture, and commonly only when having the impact of an important event such as the company is going bankrupt, losing a series of customers and plummeting revenue, there is an opportunity to change corporate culture. As a results, in order to change and improve organizational culture, enterprises should refer to three key issues:

(1) Before changing the culture, the defects in the current culture of the enterprise must be clearly identified.

(2) The new corporate culture must support the successful implementation of the development strategy. What vision and mission does the enterprise set and how should its culture be adjusted to successfully implement that vision and mission?

(3) Individuals in the organization must approve to change their behavior to create the desired corporate culture environment. This is the most difficult step in the process of changing corporate culture.

In addition, there are two very important factors to create a change in corporate culture: the support of all members and the method to implement the new culture of executives and leaders. They are the pioneers in regulating their behavior and that modification must be consistent. Members need to have a clear understanding of what is expected of them and must know how to manifest new behaviors in practice.

The fact that enterprises compete successfully in the 4.0 era will depend on investment in not only technology but also corporate culture. It will become a new trend that businesses need to actually focus on for their investment strategy. The orientation to develop corporate culture based on internal and external factors becomes imperative. Corporate culture is not only a management method and tool but also a valuable asset of an enterprise, hence it needs a scientific leadership and management. Through accurately identifying the right cultural attribute, the enterprises need to create a favorable environment to improve, build and maximize the role and creativity of business culture. Creating and managing a strong corporate culture with long-term value is an indispensable condition for enterprises to improve their competitiveness, adapt and develop sustainably in the IR 4.0./.

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SUSTAINABLE RELATIONSHIP DEVELOPMENT BETWEEN SMES IN QUANG NGAI PROVINCE AND THEIR EMPLOYEES

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Abstract: *This study aimed to investigate the relationship among job satisfaction, self-efficacy and turnover intention of employees in SMEs in Quang Ngai province. Moreover, the author wants to test the mediating role of self-efficacy in the relationship between job satisfaction and turnover intention. Structural Equation Modeling is used to test the hypotheses and bootstrapping method is used to test the mediating role of self-efficacy. As a result, there is a significant relationship between job satisfaction and self-efficacy, self-efficacy and turnover intention. Besides, self-efficacy fully mediates the effect of job satisfaction on turnover intention. From these results, some theoretical and practical implications are provided.*

Keywords: *SME, job satisfaction, self-efficacy, turnover intention, mediating role*

1. INTRODUCTION

Along with the development of Vietnam's economy in recent years, the demand for human resources is also increasing. Enterprises are paying more and more attention to the issue of human resources development, especially recruiting the right people for their company. However, recruiting the right people is not enough, enterprise also have to know how to retain their employees, especially the core employees who play a key role in the company. The stability in human resources will help enterprises save time and costs (for example: recruitment, training, etc.), reduce errors (caused by new employees when they are not familiar with the new job), create trust and solidarity within the enterprise. Because of that, employees will consider the enterprise as an ideal place for them to promote their capacity as well make a long-term commitment with the enterprise.

According to Nyhan (2000), enterprise that is successful and sustainable development always puts the trust and commitment of employees in the business strategy of the enterprise. Human resources are the most valuable intangible asset of an enterprise and considered as a competitive advantage of any enterprise.

Therefore, determining the factors affecting the employee's turnover intention is an important study for enterprises, because through practical research, it will assess the current reality objectively and find out better solutions, contributing to the development of sustainable relationships between enterprises and their employees. Over the past years, there has been a lot of research on employee's turnover intention. However, very few research has been done about this topic on small and medium enterprises (SMEs) in Vietnam, especially in Quang Ngai province.

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According to Ninh (2012), SMEs have an important role in the national industrialization and modernization. SMEs have outstanding advantages that other types of enterprises do not have, especially in the current transition period in our country such as adaptability, ease of technology change, relatively high investment efficiency, easy to manage, etc. In fact, SMEs have become a dynamic factor in Vietnam, significantly contributing to job creation, income enhancement, and promote economic growth and contribute to poverty alleviation. Quang Ngai is a poor province, with nearly 84% of the population living in rural areas, mainly by farming and with a low standard of living (Administrative map of Quang Ngai Province in 2021, 2021). However, Quang Ngai has many advantages for economic development such as natural conditions, geographical location, many traditional craft villages, Dung Quat industrial park, Vietnam-Singapore Industrial Park, many large factories, abundant young labor force, etc. It is very necessary to develop and promote the potential of SMEs in the province because it will play a particularly important role in the socio-economic development of the province. Therefore, this study examines the factors affecting the employees' turnover intention at SMEs in Quang Ngai province. In addition, although there are many studies investigating the factors affecting the employees' turnover intention in enterprises, there are few studies investigating how employees' self-efficacy affects their job satisfaction, which in turn affects their turnover intention. In other words, no research has investigated the mediating role of job satisfaction in the relationship between employees' self-efficacy and their turnover intention. Therefore, this study aims to find out the relationship between employees' self-efficacy and their job satisfaction. Secondly, this study investigates how employees' job satisfaction affects their turnover intention at SMEs in Quang Ngai province. Thirdly, this study explores the mediating role of job satisfaction in the relationship between employee's self-efficacy and their turnover intention.

2. LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1. Small and Medium Enterprise (SME)

According to Decree No.80/2021/NĐ-CP of Vietnamese government:

- Small enterprise is the one having from 10 to less than 100 laborers participating in annual average social insurance and total turnover of year from VND 3 billion to less than VND 50 billion or total capital from VND 3 billion to less than VND 20 billion. For the enterprise engaged in commercial and service activities, there are from 10 to less than 50 laborers participating in annual average social insurance and total turnover of year is from VND 10 billion to less than VND 100 billion or total capital is from VND 3 billion to less than VND 50 billion.

- Medium enterprise is the one having from 100 to less than 200 laborers participating in annual average social insurance and total turnover of year from VND 50 billion to less than VND 200 billion or total capital from VND 20 billion to less than VND 100 billion. For the enterprise engaged in commercial and service activities, there are from 50 to less than 100 laborers participating in annual average social insurance and total turnover of year is from VND 100 billion to less than VND 300 billion or total capital is from VND 50 billion to less than VND 100 billion.

2.2. Self-efficacy (SE)

Self-efficacy is the belief of someone about their ability to carry out actions efficiently to complete their tasks (Bandura, 1977). Wood, Bandura, and Bailey (1990) stated that SE is an individual's belief in his or her ability to solve any problems with his or her own efforts. Besides, the greater the employees' confidence have in their abilities to do a task, the more dedicated they become to their jobs and companies (Pradesa, Dawud, & Affandi, 2019). According to Flammer (2001), when people are conscious of their ability to make a difference, they will feel happy and as a result, they are more likely to do so. On the other hand, people who are not confident about their ability are unhappy and have no motivations to act. There are four major forms showing SE, those are cognitive, motivational, affective, and selective (Gupta, Bhattacharya, Sheorey, & Coelho, 2018).

2.3. Job satisfaction (JS)

JS is about the happy and positive feelings of emotions related to someone's place of work and their jobs (Yu, Ariza-Montes, Giorgi, Lee, & Han, 2020). Besides, according to Kreitner and Kinicki (2007), JS reflects the extent to which an individual likes her or his job. That is the feeling or emotion of that individual towards her or his job

Yilmazel (2013) defined JS as "emotional feelings as well as the behavioral expression for a job. The feeling is influenced by some job related factors such as pay, different types of benefits, recognition, working condition, relation with co-worker and supervisors, and others". While Spector (1997), "JS has to do with the way how people feel about their job and its various aspects. It has to do with the extent to which people like or dislike their job". In this definition, the author said that JS or dissatisfaction can be caused by the different aspects of the job.

To measure JS, Karatepe and Uludag (2007) suggested some variables such as one's satisfaction towards their superiors and colleagues, organizational policies, support, salary, achievement opportunities and customer relationships

2.4. Turnover intention (TI)

According to Weisberg (1994), TI is an one's plan for intention to leave the current job and look for another job in the near future. TI refers to the stage which is previous of the actual action of turnover (Yu et al., 2020). In other words, TI is an antecedent of turnover (Emami, Moradi, Idrus, & Almutairi, 2012). There are two types of turnover, those are voluntary and involuntary turnover. Voluntary turnover can be caused by salary, welfare, work environment, immigration, or illness. While involuntary turnover is from corporate decisions such as layoffs, dismissals, regular retirements and forced retirements (Yu et al., 2020). Unlike the actual turnover, TI is not clear, is formed in thinking and has not been shown by specific actions. This will make the managers have some difficulty in recognizing and having restrictive methods (Mobley, 1977).

2.5. Relationship between job satisfaction and self-efficacy

Many research proved that JS is regularly related to SE (Alola, Avci, & Ozturen, 2018; Judge & Bono, 2001; Perdue, Reardon, & Peterson, 2007). Specifically, Yu et al. (2020) indicated that JS had a positive influence on SE. Employees with higher JS may have higher SE than employees

with lower JS. When the employee has high JS, he or she will be confident in solving problems to overcome the difficult situations at workplace (Yu et al., 2020). Therefore, in this study, the author hypothesized the hypothesis as follow:

H1: Employees' job satisfaction has a positive influence on their self-efficacy

2.6. Relationship between job satisfaction and turnover intention

A number of studies have approved the relationship between JS and TI (Griffeth & Hom, 1995; Joseph, Ng, Koh, & Ang, 2007). They explained that people who don't like their work will intend to search for another job and quit the current job. Moreover, Emami et al. (2012) concluded that there is a negative correlation between JS and TI. In other words, if the employee is dissatisfied with the job, TI will be high. Diversely, if the employee is satisfied with the job, he or she will tend to have long-term commitment to the current company (Rizwan, Arshad, Munir, Iqbal, & Hussain, 2014). Besides, according to Lai and Chen (2012), the employees who are satisfied with the company's facilities and policies such as policies, payment, work environment and so on will have the little of TI. In short, the employees with high JS will be less in changing and quitting their job (Luddy, 2005). Consequently, in present research, the author hypothesized the following hypothesis:

H2: Employees' job satisfaction has a negative influence on their turnover intention

2.7. Relationship between self-efficacy and turnover intention

Some researchers found that SE had a direct negative impact on TI (Alola et al., 2018; De Simone, Planta, & Cicotto, 2018; Khan, Khan, Moin, & Pitafi, 2021). Luthans, Zhu, and Avolio (2006) stated that the workers who have a higher level of self-efficacy are less likely to leave their company. Besides, Bowling, Eschleman, Wang, Kirkendall, and Alarcon (2010) indicated a negative association between SE and TI.

Moreover, individuals with higher in SE will have better ability in dealing with the difficult situations and make efforts to overcome those time better. This will lead to higher organizational commitment and job involvement. Therefore, they have tendency to stay in the job without finding another job. It means that employees with high SE may reduce TI (Ashforth & Saks, 2000). Hence, the author hypothesized:

H3: Employees' self-efficacy has a negative influence on their turnover intention

2.8. Employees' job satisfaction mediates the effect of their self-efficacy on turnover intention.

Previous sections mentioned the direct pathways among variable. The author expects that taken together, employees who have a higher level of SE may feel a stronger sense of JS that leads them to possess less TI in their organization. As such, it is more notable that the negative relationship between SE and TI is mediated by job satisfaction. Accordingly, the author proposed this hypothesis:

H4: Employees' job satisfaction mediates the effect of their SE on turnover intention.

2.9. Research framework

Based on the research objectives and literature review related to this research, the author propose the research framework as follow:

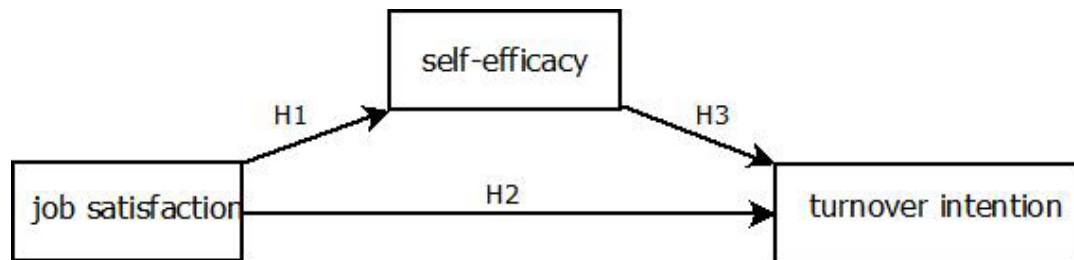


Figure 1. Proposed research framework

3. METHODOLOGY

3.1. Measurement instrument, data collection, questionnaire design

This study uses quantitative research method. A survey questionnaire using five-point likert scale (from totally disagree to totally agree) is designed to collect data. There are three parts in the survey questionnaire. The first part describes the researcher information and introduction of research purpose. While the second part includes 8 questions to define demographics of the participants such as: gender, age, education, marital status, years of working, position, workplace and monthly income. The last part consists of 22 items to help gather information about the dependent and independent variables of this study. Survey questionnaires are given in Vietnamese and English versions. Those 22 items are adapted from previous research shown in table 1. 8 items of SE are adapted from Yu et al. (2020), and Borgogni, Russo, Miraglia, and Vecchione (2013). 7 items of JS are adapted from Yu et al. (2020), Chinomona and Dhurup (2014), and Williams et al. (2001). 7 items of TI are adapted from Ashar, Ghafoor, Munir, and Hafeez (2013), Rizwan et al. (2014), and Landau and Hammer (1986).

The population of this research is employees who are working for SMEs in Quang Ngai province. The sample was collected by sending questionnaires through Facebook and email, then the respondents filled out the questionnaires. Finally, 200 questionnaires were sent out.

Table 1. Construct and items included in the questionnaire

Constructs	Items	Measurement	References
Self-efficacy	SE1	I have all the skills needed to perform my job very well.	Adapted from Yu et al. (2020)
	SE2	I have confidence in my ability to do my job.	
	SE3	I am an expert in my job	
	SE4	I am very proud of my job skills and abilities.	
	SE5	I am confident to keep in a good mood, even in tense situations	Adapted from Borgogni, Russo, Miraglia, and Vecchione (2013)
	SE6	I am confident to solve all the conflicts that may occur with my colleagues	
	SE7	I am confident to defend my rights when treated unfairly	
	SE8	I am confident to earn the esteem of all my colleagues"	

Job satisfaction	JS1	My work environment is pleasant	Adapted from Williams et al. (2001)
	JS2	I am extremely glad that I chose this company to work for, over other organizations	
	JS3	I definitely like my job	Adapted from Chinomona and Dhurup (2014)
	JS4	My job is pretty interesting	
	JS5	I like my opportunities for advancement with this organization	Adapted from Yu et al. (2020)
	JS6	I feel satisfied with my overall job	
	JS7	I find real enjoyment in my work	
Turnover intention	TI1	I often think of quitting my present job	Adapted from Ashar, Ghafoor, Munir, and Hafeez (2013)
	TI2	I may not have a good future if I stay with this organization	
	TI3	I often think of changing my job.	Adapted from Landau and Hammer (1986)
	TI4	I am actively looking for a job outside	
	TI5	As soon as I can find a better job, I'll leave	
	TI6	I will probably look for a new job next year.	Adapted from Rizwan et al. (2014)
	TI7	It is likely that I will actively look for job next year.	

3.2. Data analysis

Firstly, the data was entered and processed by SPSS 22 to check the demographics of the sample and conduct exploratory factor analysis (EFA). Then the author uses AMOS 22 to examine multi group confirmation factor analysis, path analysis of the hypothesized structural model and mediating role of SE. The author uses Structural Equation Modeling (SEM) to investigate the hypotheses in this study.

To examine the mediating role of SE in this study, the authors use bootstrapping method suggested by Bollen and Stine (1990). Following this method, there are two types of mediation, those are full mediation and partial mediation, which are confirmed by the direct and indirect effects with 2,000 resampling or more and 95% confidence intervals. In addition, the lower and upper confidence limits will be checked for the interval test of indirect effect. According to Hoyle (2012), the estimated indirect effect is considered significant when the confidence interval of lower and upper bounds are different from 0.

4. RESULTS AND DISCUSSION

4.1. Demographics characteristics

The author sent out 200 questionnaires, but 167 were collected and useable (attained 83.5 %). Question 1 to 8 consisted of items of the demographics characteristics of the sample who participated in the survey. The information about gender, age, education, marital status, years of working, position, workplace and monthly income of the respondents is collected. As a result, the majority of the respondents are 92 females (occupied 55.1%), 112 people from over 22 to 30 years old (occupied 67.1%), 109 people having high school degree (occupied 65.3%), from 2 to lower 5 years of working for the current company (48.5%), 80 staffs or experts (occupied 47.9%), working in office (104 people = 62.3%), monthly income from 6 to VND 10 million (occupied 39.5 %). In

case of marital status, the rate of single and married is quite equal.

4.2. Exploratory factor analysis (EFA)

First of all, EFA was examined to identify the items of all variables. The researcher uses Principal Components Analysis for extraction method. Besides, Varimax is the rotation method used to minimize the low item loadings (Jena, Dholawala, Panda, & Bhuyan, 2020). After running by SPSS 22, SE8 was eliminated from the data set because the factor loading was lower than .5. From the table 2, all factor loadings of remaining items were greater than .5, indicating that the data set was valid. Besides, Olkin Measure (KMO) and Bartlett's Test of Sphericity need to check for sample adequacy. According to Coakes, Steed, and Ong (2009), the KMO must be greater than .6 and Bartlett's Test of Sphericity must be less than .05. In addition, the cumulative must be greater than 50 % (Coakes et al., 2009). In this study, these three measures were shown in table 2. The KMO was great (.92), the Bartlett's Test of Sphericity was 0.000 (less than .05), and the cumulative was 67.044 %. These results show that the sample of this study is adequate.

Table 2. Exploratory factor analysis and reliability

Variables	Items	Factor loadings	Cronbach's Alpha	KMO
Self-efficacy	SE1	.549	.882	.876
	SE2	.607		
	SE3	.729		
	SE4	.618		
	SE5	.795		
	SE6	.692		
	SE7	.666		
Job satisfaction	JS1	.623	.922	.924
	JS2	.780		
	JS3	.801		
	JS4	.770		
	JS5	.814		
	JS6	.775		
	JS7	.783		
Turnover Intention	TI1	.836	.930	.914
	TI2	.716		
	TI3	.829		
	TI4	.903		
	TI5	.819		
	TI6	.804		
	TI7	.887		
Cumulative (%)	67.044			
KMO	.920			
P-value	.000			

4.3. Reliability

According to (Tavakol & Dennick, 2011), Cronbach's Alpha reliability coefficient is used to estimate reliability. If the value of Cronbach's Alpha is between .6 and .8, the instrument will be considered reliable, and its value is greater than .8, the researcher can conclude that the instrument is highly reliable (Sekaran & Bougie, 2019). For the current research, Cronbach's Alpha reliability coefficient were shown in table 2. All values of Cronbach's Alpha were greater than .8, indicating that the instrument of this study is highly reliable.

4.4. Confirmatory factor analysis (CFA)

CFA is used to access measurement model validity (Moslehpour, Wong, Lin, & Nguyen, 2018). To do so, two approaches will be carried out, those are examining the goodness of fit indices and evaluating the construct validity.

First of all, to examine the goodness of fit indices, the author used some indices and got the results shown in the table 3. These results stated that the model in this research is good.

Table 3. Goodness of fit of CFA and overall model

Goodness of fit indices	CFA model	Overall model	Recommended level	References
Significant Probability	.000	.000	$\leq .05$	
CMIN/DF	1.764	1.764	< 3.00	
GFI	.849	.849	$.80 < \text{GFI} < .90$	
AGFI	.812	.812	$.80 < \text{AGFI} < .90$	
TLI	.931	.931	$\geq .90$	Al-Mamary and Shamsuddin (2015)
IFI	.940	.940	$\geq .90$	
CFI	.939	.939	$\geq .90$	
RMSEA	.068	.068	$\leq .08$	

Secondly, to evaluate the construct validity, convergent validity and discriminant validity will be carried out (Moslehpour et al., 2018). Of these tests, to evaluate convergent validity, factor loadings, Composite Reliability (CR) and Average Variance Extracted (AVE) will be tested (Anderson & Gerbing, 1988). After running AMOS 22, these three measures are shown in table 4. Factor loadings which are Standardized Regression Weights are from .656 to .883, greater than .5, indicating that this research is reliable (Hair, Black, Babin, Anderson, & Tatham, 2006). Besides, all CRs are higher than .7 and AVEs are higher than .5 shown in table 3, indicating adequate convergent validity (Fornell & Larcker, 1981).

Table 4. Test of convergent validity

Items	Factor loadings	Items	Factor loadings	Items	Factor loadings	Variables	CR
SE1	.656	JS1	.721	TI1	.817	SE	.88
SE2	.67	JS2	.797	TI2	.690	JS	.92
SE3	.719	JS3	.829	TI3	.847	TI	.93
SE4	.751	JS4	.813	TI4	.883		AVE
SE5	.748	JS5	.800	TI5	.812	SE	.52
SE6	.754	JS6	.806	TI6	.740	JS	.63
SE7	.739	JS7	.783	TI7	.881	TI	.66

On the other hand, the author compares the square root of each construct's AVE with the correlation coefficients between each pair of latent variables to examine the discriminant validity (Fornell & Larcker, 1981). From the table 4, all of which are higher than .8 indicate moderate discriminant validity (Moslehpour et al., 2018).

In short, all the instruments applied in this study are reliable and valid

Table 5. Test of discriminant validity

Variables	SE	JS	TI
SE	1.00	.801	.359
JS	.801	1.00	.187
TI	.359	.187	1.00
Max correlation	.801	.801	.359
	.721	.793	.813
	.900	.990	2.264

4.5. Structural Equation Modeling (SEM)

Because CFA results show that all constructs of this research have strong reliability and good validity, SEM will be carried out. First of all, the goodness of fit of overall model is tested. The results were shown in table 3. From that table, all the indices indicated that the overall model is a good fit.

The next step is to test the hypotheses of this research by running AMOS 22 using SEM. The results were shown in figure 2 and table 6. Based on that figure and table, the findings of each hypothesis were shown and discussed as follows:

Hypothesis 1 stated that employees' JS has a positive influence on their SE. The standardized regression weight was .722 and the p-value was less than .001, so this hypothesis was supported. This result meets the relevant literature that most researchers have mentioned that JS is regularly related to SE (Alola et al., 2018; Perdue et al., 2007). The researchers indicated that employees' JS positively affects their SE (Yu et al., 2020).

Hypothesis 2 presented that employees' JS has a negative influence on their TI. The standardized regression weight was -.384 but the p-value of .072, so this hypothesis was rejected. In line with this finding, employees' JS did not influence their TI. This finding is inconsistent with prior research (Emami et al., 2012; Rizwan et al., 2014). These researchers concluded that when the staffs are satisfied with their job, they will be less in changing and quitting their job. According to Becker (1960), people with greater educational level were indicated to show greater TI than those with less educational level. In other words, people with greater educational level will have more external job opportunities. In this study, most of respondents just have high school degree (occupied 65.3%) – a low educational level. Therefore, employees in SMEs in Quang Ngai province tend to stay at their organizations without due to their satisfaction with their job or not.

Hypothesis 3 stated that employees' SE has a negative influence on their TI. The standardized regression weight was .886 and the p-value was less than .001, so this hypothesis was rejected.

Although employees' SE has a significant influence on their TI, the direction is reverse. This finding is both compatible and inconsistent with previous research. This study got results that are in line with results of (Yu et al., 2020). It means that higher SE had led to higher TI. Most of respondents of this study are from over 22 to 30 years old (occupied 67.1%). According to Yu et al. (2020), people within period of age are considered as the new generation. They tend to value themselves above. In other words, they have stronger individualism. Besides, this generation has higher confidence in their own abilities and they can leave the organizations to search for a better workplace. In contrast, the results from present study disproved the results of some prior research (Alola et al., 2018; De Simone et al., 2018; Khan et al., 2021). These studies reported that employees' SE negatively affects their TI. These researchers in these studies proved that people with high SE will have better ability to deal with the difficult situations and lead to higher organizational commitment and job involvement

Table 6. Results of hypothesis testing

Research hypothesis	Hypothesized Path	Estimate	p-value	Results
H1	JS → SE	.722	***	Supported
H2	JS → TI	-.384	.072	Rejected
H3	SE → TI	.886	***	Supported

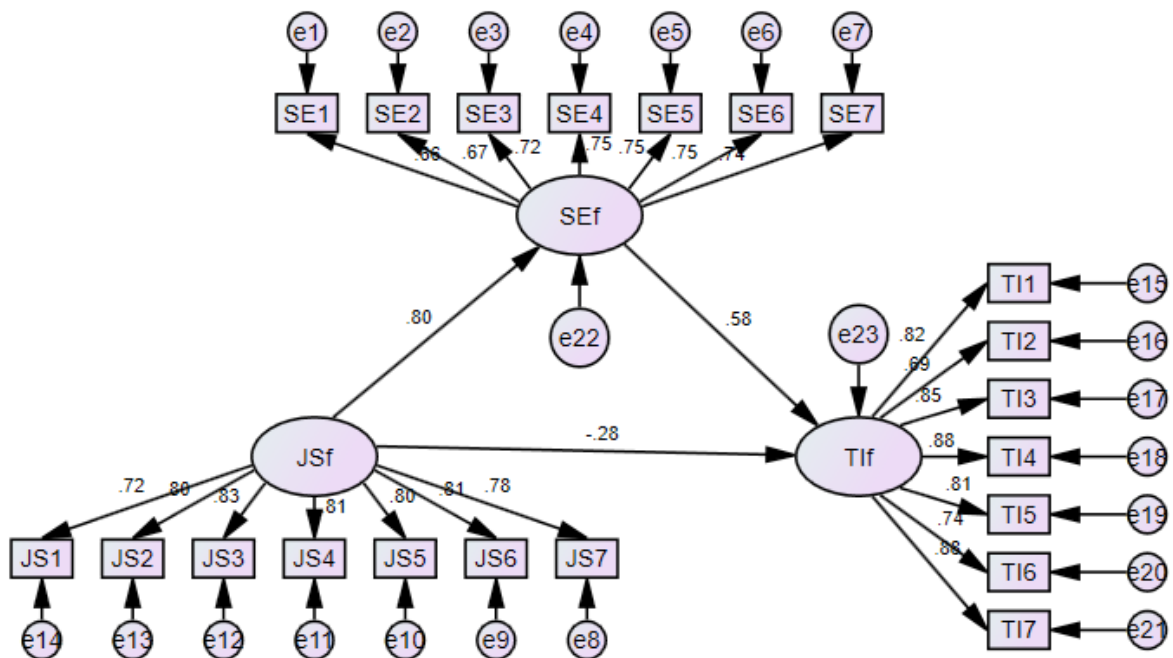


Figure 2. Structural model results

4.6. Testing for mediation effect in SEM

The indirect effect of employees' JS on their TI was tested and the results were shown in table 7. The author used 2000 resampling bootstrapping to test. As a result, the lower bounds of the 95

percent confidence interval is .219 and the upper bounds of that is .852. These results confirmed the mediating role of SE in the relationship between JS and TI.

Table 7. Bootstrap estimate

Independent and mediator variables	Dependent Variable	β	95% CI	
			Lower	Upper
JS \rightarrow SE	TI	.469	.219	.852

In addition, results of the mediation analysis were shown in table 8. The results indicated that the direct effect of JS on TI was non-significant ($\beta = -.281$, p-value $> .05$) when the indirect effect of JS on TI through SE became significant ($\beta = .469$, p-value $< .001$). Therefore, these results suggest full mediation of SE in the relationship between JS and TI.

Table 8. Bootstrapping results

Hypothesis	Paths	Direct effect	Indirect effect	Result
H4	JS \rightarrow SE \rightarrow TI	-.281 (NS)	.469***	Full mediation

*** = $p < .001$; NS = "not significant"

5. CONCLUSIONS AND POLICY IMPLICATIONS

This study contributes to the current literature about TI in SMEs. Specifically, employees' JS has a positive influence on their SE. Besides, employees' SE has a positive influence on their TI. Especially, this research found that employees' SE fully mediates the relationship between their JS and TI. Next, the present research offers a contribution to managers, directors of SMEs in Quang Ngai province to retain their employees, especially the new generation. For this generation, conceptions such as commitment to the organizations and long tenure are not important anymore. Instead of those, this generation will stay within an organization when they consider themselves and the organization to be a great fit. Therefore, to increase their proactive attitude towards work, the organizations should provide materialistic rewards such as incentives, special vacations, etc. Besides, the organizations should complete human resources issues and prepare for plans to build human resources carefully

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THE IMPACT OF COVID 19 STANDARDS ON THE CAPACITY OF AIRLINE BUSINESS

MA. Truong Thao Nghi¹

Abstract: *The complicated development of the Covid-19 pandemic has strongly affected all aspects of social life as well as the whole economic sector. As an industry directly affected, aviation has suffered heavy losses in the past time, a series of flights were cut, airports were closed, the airlines continuously announced losses compared to before the pandemic appeared. Before that situation, to survive and develop, it is required that enterprises operate effectively, maintain and improve their profitability. This study was conducted with the aim of showing the impact of the Covid-19 pandemic on the profitability of airline businesses. From there, suggest some issues to help aviation improve profitability in the current situation. Research data is compiled from financial reports of aviation businesses for the period 2016 - 2020.*

Keywords: *Airline; Profitability, ROE, ROA, ROS.*

1. INTRODUCTION

Aviation is an important industry, not only for economic development but also for security, military, and national sovereignty. With the worldwide crisis, Vietnam's aviation is also not outside of the suffering from the Covid-19. Vietnam's airlines now are careful with the transport. The international flights are carrying experts, repatriated passengers and goods. The domestic market is focused on maximum capacity. However, due to the pandemic, the effectiveness is declined, the labor resource is redundant so the passenger transport is going to lose with the low average revenue. How can develop and recover effectively the operation of aviation after the pandemic and then adapt to the new opening stage? Vietnam's aviation needs to build a model with more development, sustainability and flexibility, especially for the businesses. Functional profitability is a useful tool for economic management that will help the managers operate their businesses the best they can be. This research aims to consider and identify the degree of Covid-19 pandemic on the profitability of Vietnam's aviation businesses.

2. THEORETICAL BASIS

Profitability analysis is the research process to help businesses review the whole progress and the business operation and then make clear of the business's qualification and exploit the essential resources that they can use. For Profitability evaluation and the Business Operations Analysis, content and ratios analyzed are of the highest importance for the analysts. Basing on the analyzed content, the analysts can conduct the other parts such as the Indicator system, method and procedures of analysis,

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types of analysis, analysis reports. Recently, some researchers have measured the business operation by the financial indicators like the Return of Assets (ROA), Return on Equity (ROE) and Return on Sales (ROS) (Deloof, 2003; Gill, 2011; Mansoori & Muhammad, 2012; Napompech, 2012). The elements of measuring the profitability are as below:

- *Return on assets (ROA):*

This indicator is the relation between the profit after tax and the total current assets of a business. It shows how effectively that a company uses its assets by a comparison between the profit and its assets. According to Phan Duc Dung (2008), the return on assets is a financial indicator to measure the profitability of every penny of the business's assets. According to Nguyen Thi Ngoc Trang and Nguyen Thi Lien Hoa (2007), if this indicator is more positive than 0, the business has a profit. The higher indicator, the better profit. Otherwise, the indicator is more negative than 0, the loser they have got. The profit and loss cause the percentage of the total assets. The indicator shows the effectiveness of management and usage of the resources to create income for the business. The return on assets depends on the seasons and businesses. Thus, the financial analysts use this indicator in the comparison of a business in its sector or with other businesses in the same category and the same period. This indicator is the division of the net profit (or the profit after tax) in a monthly/quarterly/half-yearly/yearly report and the average of the total assets in the same period. The logistics of the net profit or the profit after tax is from the business report, the asset evaluation is from the accounting balance sheet. The equation is as below:

$$\text{Return on assets} = \text{Net income} / \text{average assets}$$

ROA can not be used for the businesses with the different categories because the typical sectors make the different scales and the asset mix. Therefore, ROA is used for businesses in the same branch or one business in the many past years.

- *Return On Equity (ROE):*

According to Nguyen Minh Kieu (2009), return on equity is a financial indicator to measure the profitability per capital of a business. Return on equity (ROE) shows that every 100 capital of the equity creates the profit. If this ratio is positive, it will be profitable. If it is a negative number, the business will get lost (Nguyen Thi Ngoc Trang and Nguyen Thi Lien Hoa, 2007). The profit in this indicator is the shareholders' net income which is from the business report in a certain period (a month, a quarter, half-year or a year) called the reporting period. The capital in this ratio is the common equity. The equation is: Return on equity = net income / average equity

- *Return On Sales (ROS):*

According to Phan Duc Dung (2008) and Nguyen Minh Kieu (2009), return on sales is a financial indicator to monitor the profitability situation. It reflects the relationship between the shareholders' net income and the company's revenue. This indicator informs the percentage of the profit from the revenue. If it is positive, the business has profit; the higher the ratio, the more profit they get. The negative ratio means the lost business. However, this indicator bases on the features of each business. Thus, when considering the profitability, it is compared the business's ratio with the whole department that it belongs to. On the other hand, this ratio and the asset turnover tend to be opposite. Therefore, the analysts usually review both this ratio and the asset turnover (Nguyen Thi Ngoc Trang and Nguyen Thi Ngoc Hoa, 2007). This is the equation:

Return on Sales=Net Profit/Net Sales

ROS is the percentage of profit on the sales, so the positive ROS means a profitable company. The higher ROS is, the bigger profit the company has. As usual, a company has a good ROS which is considered to manage the expense well or conduct the strategies the cost competence.

ROS should be used in the same group of businesses, as the other ones have the big various ROS.

In summary, there is no specific number to evaluate ROS-ROE-ROA. If only these ratios were high and always be positive (ROE), it can be said that the investment and business are effective. Moreover, the evaluation is dependent on the business characteristics and the asset scale compared with each business's revenue. That is why in this research, the writer has mentioned the financial indicator ROE, ROA, ROE to analyze the business efficiency in years and the pandemic Covid-19.

3. THE REALITY OF THE AIRLINES' PROFITABILITY

The complicated development of the Covid-19 pandemic has made the airlines which have already difficult, now are in a more exhausting situation. A series of flights were cut with no passengers, airports were closed, the airlines continuously announced losses which have suffered from the pandemic on the business.

When the Covid-19 outbreak appeared, the world economy got huge damage and the first business that suffered the most is the airline industry. According to the International Civil Aviation Organization (ICAO)'s report of the airline business in 2020, the international and domestic visitors decreased 1,38 billion and 1,32 billion alternately, declined 77% and 50% compared with 2019 and dropped USD 250 billion and USD 120 billion alternately of the avenue. With the global airline crisis, Vietnam's airlines could not avoid the effect of the Covid-19 pandemic. In the business report of the year 2020 and the first 5 months of 2021, the Ministry of Planning and Investment showed that the market of the airline business is going to fall the most dramatically, the need of the airline cut down from 34,5% to 65,9% in 2020, the revenue slumped 61% compared with 2019. The International Air Transport Association (IATA) has forecasted that the global production of visitors in 2021 would be 33% of 2019. The loss of the airlines can be up to USD 95 billion, nearly as twice as the forecast in December 2020. In the short term, the perspective of air transport will not be in the brighter way. The road of recovery is dependent on the success of launching the Covid-19 vaccination (Dangcongsan, 2021)

In 2019, According to the financial report on the page Vietstock, we can see the two big companies in the airline business are Vietnam Airlines (HVN) and VietjetAir (VJC) announced their business dropped down than those in 2018. First, Vietnam Airlines recorded VND 2,517 billion of the profit after tax, slightly discount 3% than last year and got VND 98,176 billion of revenue which is almost equal to last year. However, HVN gained 23% of the revenue plan and 5% of the proposed profit for 2019. Vietjet Air decreased 21% of the profit after tax by nearly VND 4,219 billion, compared with the last year, the revenue is quite the same as last year with VND 52,059 billion. From Vietjet Air, the delayed revenue of the airship transfer caused the Airbus's delivery lasted longer than planned. The company sold 16 ships in 2018 while they sold 7 ones

in 2016. The extension was in revenue accumulation and the consolidated profit reduced slightly than last year. Ground Services Joint Stock Company (SGN) reported that the net revenue and the profit after tax increased 24% and 28% alternately compared with 2019, with more than VNS 1,585 billion and VND 374 billion. The company explained that in the fourth quarter of 2019, they completed the negotiation and renewed the contract and raised the service fee for a customer who had a high frequency of exploiting. Then, Cargo Service Corporation (SCS) had a notification that the total revenue and the profit after tax in 2019 developed 11% and 21% alternately compared with 2018, with almost VND 748 billion and VND 503 billion. Therefore, the company nearly completed the proposal for the year 2019.

The Corona pandemic has been complicated and possibly continued so aviation is considered one of the industries which will affect it seriously. Due to the airlines' overall reports, the initial loss of stopping the flights would be approximately VND 10,000 billion.

After June 2020, the disease was managed well which brought the hopeful sign to aviation so many businesses have done promotion packages to raise the domestic demand. However, the outbreak of the disease has come back, become more complex and keep putting this business under pressure in the future.

The order to make clear the business activities of the airlines company before and during the pandemic, the research was collected the relevant information from the financial reports which are being public on Vietstock, Finance.vn... After collecting and presenting on the Excel, the author calculated the indicators. The profitability of some airline businesses listed in the before and after the period of Covid Pandemic with the indicators of ROA, ROE and ROS are as follow:

Table 1: The Indicators of Profitability from the Survey Businesses (%)

Ratio \ Year	2016	2017	2018	2019	2020
1. ROA					
- VJC	12.4	16.0	13.7	7.8	0.2
- HVN	2.2	2.7	2.8	3.1	-17.5
- NCT	55.2	53.6	47.7	37.8	41.2
- SCS	25.4	34.8	45.4	46.8	42.4
- SGN	32.3	29.8	27.3	27.6	8.4
- ACV	5.4	8.3	11.5	14.1	2.9
2. ROE					
- VJC	52.7	47.9	38.0	25.5	0.5
- HVN	13.0	13.6	12.5	12.8	-180.0
- NCT	61.9	62.1	55.5	43.1	50.5
- SCS	31.9	37.7	50.9	50	45.7
- SGN	49.5	42.2	37.9	35.7	10.0
- ACV	10.3	15.0	20.0	22.3	4.4

3. ROS					
- VJC	9.1	12.0	10.0	7.5	0.4
- HVN	3.0	2.8	2.4	2.3	-26.8
- NCT	39.2	37.9	35.0	31.7	30.9
- SCS	49.5	58.6	61.6	67.1	67.0
- SGN	19.9	18.8	20.6	21.8	12.1
- ACV	24.1	29.6	38.0	44.7	21.2
4. Average					
- ROA	22.2	24.2	24.7	22.9	12.9
- ROE	36.6	36.4	35.9	31.6	-14.7
- ROS	24.1	26.6	27.9	29.2	17.5

Source: The writer has analyzed and collected from Vietstock (2021a), Vietstock (2021b), Vietstock (2021c), Vietstock (2021d), Vietstock (2021e), Vietstock (2021f)

The profitability from 2016 to 2019 in table 1 showed evenly from 10% to 20% until the big change of the year 2020. Vietnam Airlines (HVN) and Vietjet Air (VJC) had the most fluctuation of profitability with ROA, ROE and ROS. Saigon Cargo Service Corporation (SCS) and Noi Bai Cargo Terminal Service Joint Stock Company (NCT) did not fluctuate very much as the freight is highly prior when the passenger transport has been closed. After the closure of the national and international passenger transports, the freight has been concentrated and raise more to ensure the development of the import-export shipped air and this will be the transport focussed more in the future.

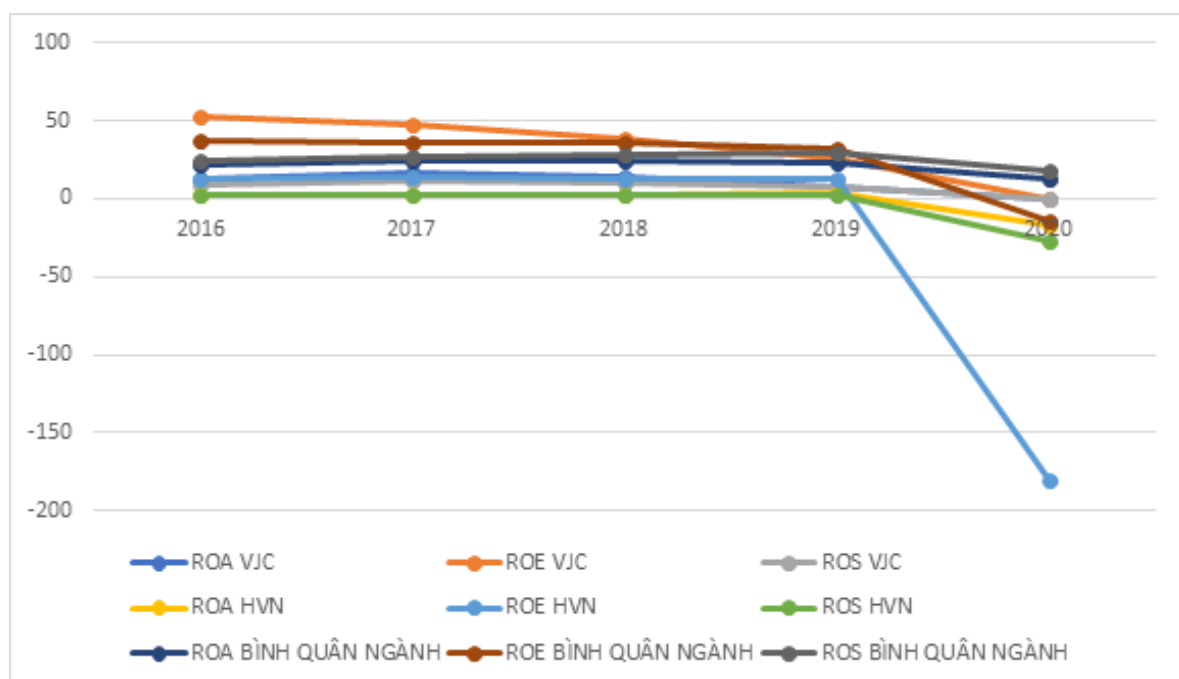


Figure 1: The Profitability of Vietnam Airline (HVN) and Vietjet Air (VJC) and the Industry Average from 2016 to 2020

Source: The Author collected from the financial report of the survey companies

Figure 1 shows that the Profitability of Vietnam Airlines (HVN) and Vietjet Air (VJC) and the Industry Average declined in 2020.

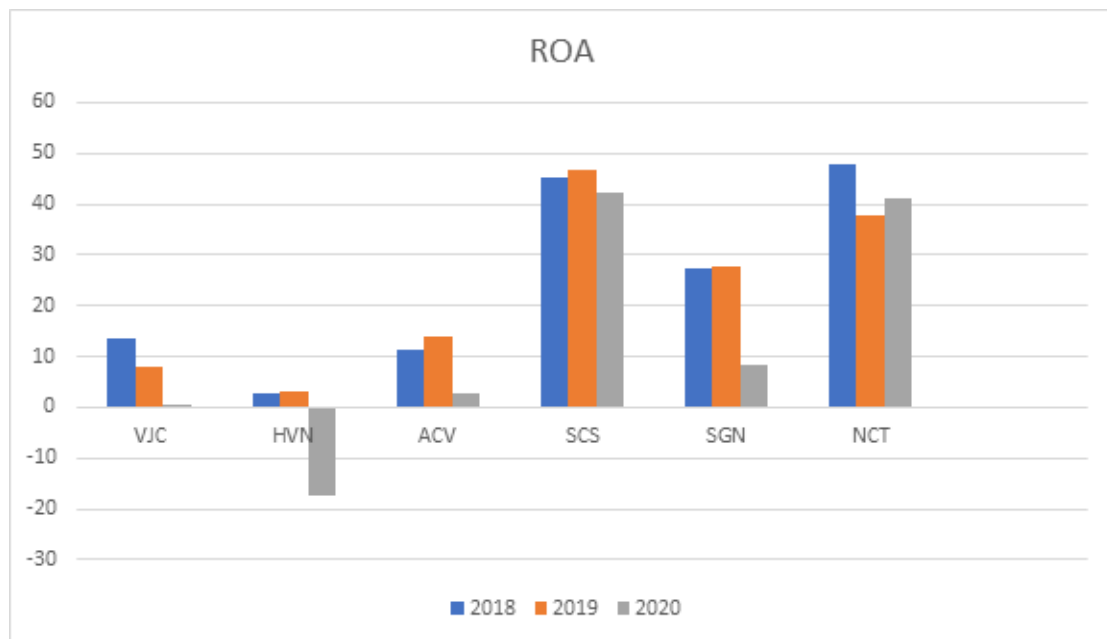


Figure 2: Return on Assets (ROA) of the Survey Companies from 2018 to 2020

Source: The author collected from the base of the companies' financial reports

From Figure 2, the profitability of the companies in 2018 and 2019 had not much difference but in 2020, it declined sharply. Vietnam Airlines (HVN)'s ROA increased steadily 2.2%, 2.7% and 2.8% in 2016, 2017 and 2018 alternately. In 2019, it rose slightly but in 2020 it fell the most with 400% because of the pandemic.

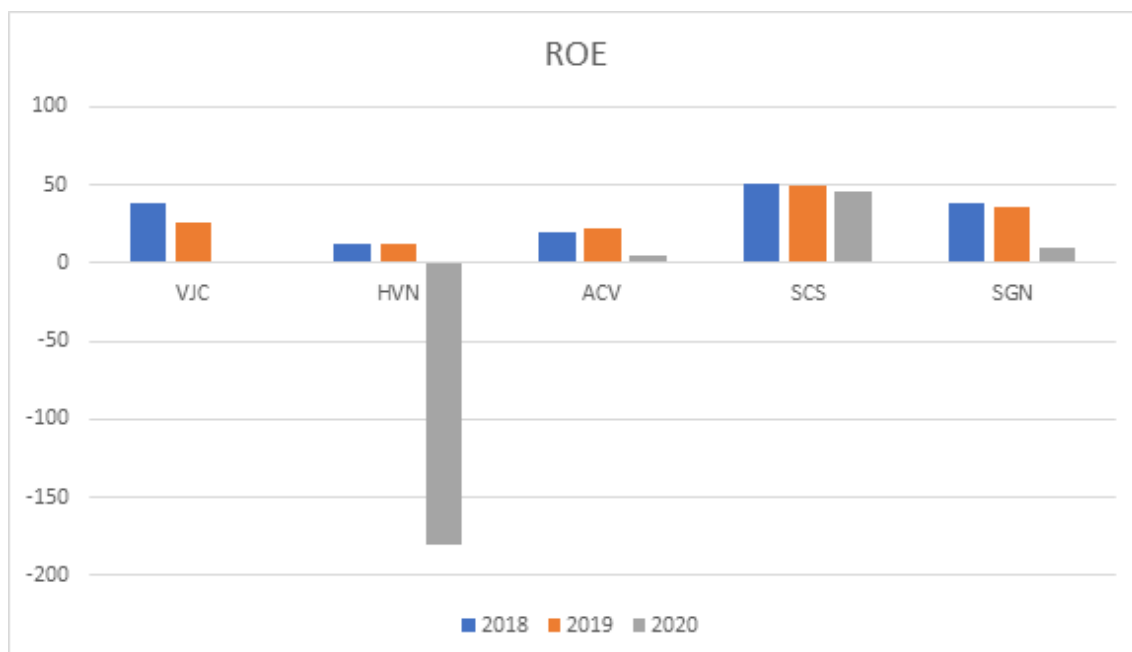


Figure 3: Return on Equity (ROE) of the Survey Companies from 2018 to 2020

Source: The author collected from the base of the companies' financial reports

From Figure 3, the Return on Equity in 2018 and 2019 had not much difference, but it dropped strongly in 2020. Vietnam Airlines's ROE gained 13.6% in 2017, decreased unremarkably in 2018 with 12.5%, increased slightly in 2019 with 12.8%. in 2020, the sickness spread all over the world and in Vietnam which affected greatly the ability to use business's capitals.

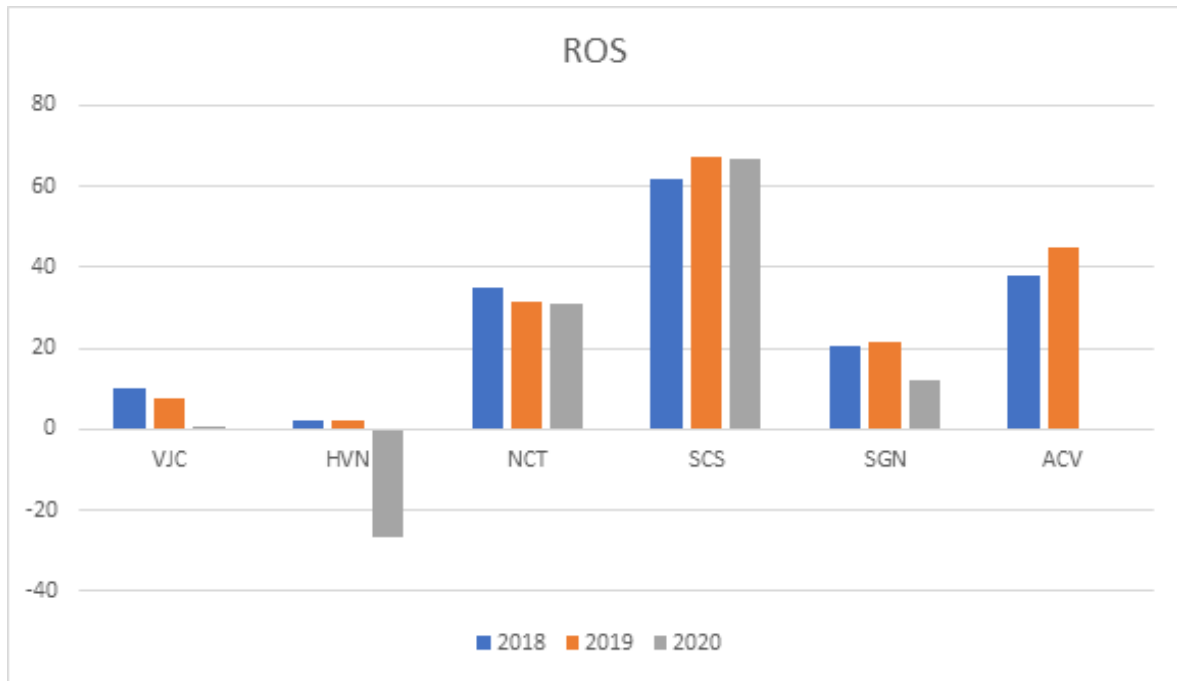


Figure 4: Return on Sales (ROS) of the Survey Companies from 2018 to 2020

Source: The author collected from the base of the companies' financial reports

From the logistics in Figure 4, the Return on Sales had no high change in 2018 and 2019, but the number in 2020 plunged so much. The Covid Pandemic made a serious influence on the airlines' revenue. To make clear how to affect the business's profitability, the research continued to analyze the trend and growth pace of Vietnam Airlines (HVN) and Vietjet Air's (VJC) ROE and the industry average in the consecutive years which can show if they were stable or changeable, then we can see the stability of the growth. The equation is as below:

$$\text{The base growth rate of ROE (\%)} = \frac{\text{ROE}_i - \text{ROE}_{2016}}{\text{ROE}_{2016}} \times 100$$

The base growth rate reflects the growth trend, 2016 is the base year.

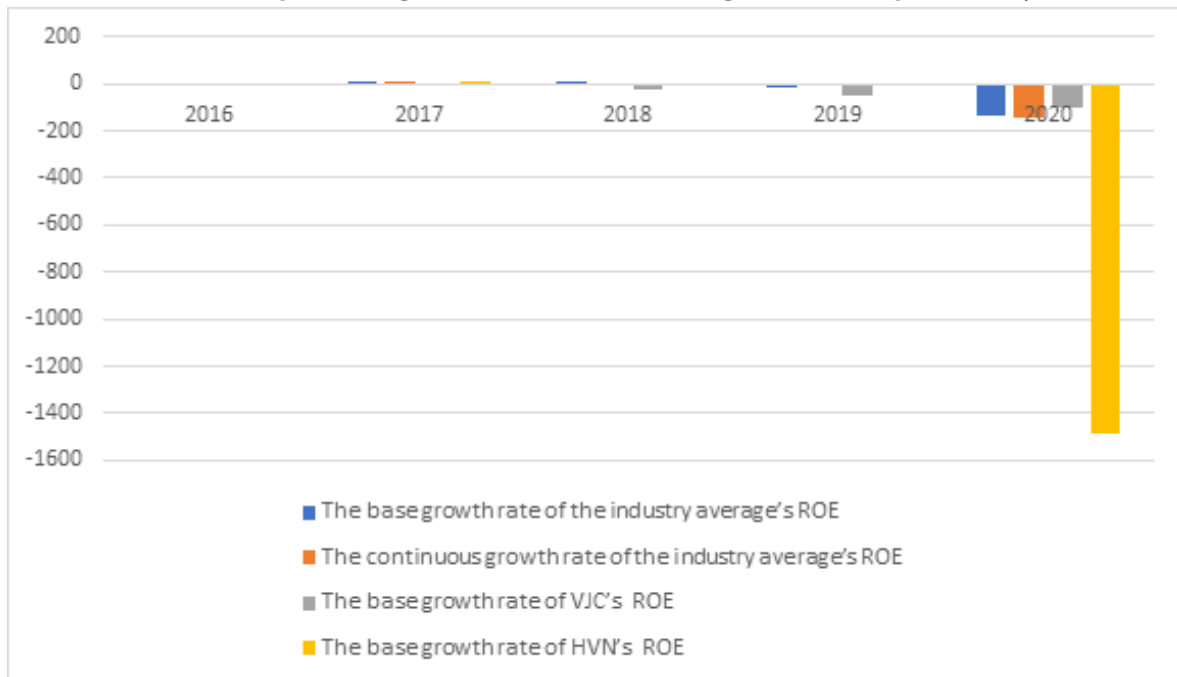
$$\text{The continuous growth rate (\%)} = \frac{\text{ROE}_{(i+1)} - \text{ROE}_i}{\text{ROE}_i} \times 100$$

The continuous growth rate shows the level of the growth which is the comparison between the previous year and its next year (pair of 2017 and 2016, 2018 and 2017, 2019 and 2018, 2020 and 2019). In 2016, the base and the continuous growth rate were 0. The airline group industry's ROE was 36.6% in 2016, 36.4% in 2017, 36.9% in 2018, 31.6% in 2019 and -14.7% in 2020.

Table 2: Ratios with the Trend and Level of Profitability in ROE (%)

Growth Rate	Year	2016	2017	2018	2019	2020
1. The base growth rate of the industry average's ROE		0,0	0.6	1.9	-13.7	-140.2
2. The continuous growth rate of the industry average's ROE		0,0	0.6	-1.4	-12	-146.5
3. The base growth rate of VJC's ROE		0,0	-9.1	-27.9	-51.6	-99.1
4. The base growth rate of HVN's ROE		0,0	4.6	-3.8	-1.5	-1484.6

Source: The author collected from the base of the companies' financial reports

Table 2 keeps showing the trend and the level of growth rate in profitability.**Figure 5: The Base and Continuous Growth Rate of VJC's, HVN's and the Industry Average's Profitability from 2016 to 2020.**

Source: The author collected from the base of the companies' financial reports

From calculating and the graph, it is evaluated the growth rate of the profitability year by year was unbalanced. It shows that the continuous growth rate in the whole period lacks stability and the rate of the two next years is low.

4. CONCLUSION

The research shows that from 2016 to 2020, there is a relation between the Covid 19 pandemic and the airlines' profitability. In 2020, the decline and fall of flights by Covid-19 was a negative effect on all aspects of the economy, including the Vietnam airline business, compared to the time before the pandemic in 2018 and 2019. Therefore, ROA, ROE and ROS were lower than the previous period. In order to increase profitability, the airline businesses must transform to adapt well to the pandemic, promote business models that can increase revenues.

For the airline businesses, when the international passenger flight can not be reopened, they have used most of the resources for the domestic ones with a big leap of flight frequency and quantity. The airlines are trying to stabilize the axis flight path, monitor the travel routes which are suitable for the need and the disease condition; open more new domestic flights as well as create a recovering strategy of domestic flight network after the pandemic.

The impact of the Covid 19 pandemic is far from over. There is some relief to be found in various parts of the world now that vaccinations have begun, but the road to recovery for air traffic will take several years. The shape of the post Covid 19 airline sector is becoming clearer and holds lessons for airlines today. Multiple longer-running trends have been accelerated, such as digitization and the phasing out of less efficient aircraft. Burdened by debt, many carriers have depleted their cash reserves. But the forecast is not without bright spots. Travel will become greener and more efficient, and people are itching to travel again for holidays. Taking steps now will help airlines thrive in this transformed sector. In response to the high demand and low supply of air freight right now, carriers could investigate short- to medium-term opportunities to boost their cargo services. Airlines can enhance their flexibility through measures such as increasing the deployment of so-called preighters, or passenger airplanes that are used to transport cargo. Airlines may look at freighter conversions, especially as their passenger fleets reduce in number. Airlines need to be agile. Rushing headlong into developing and maintaining a large freighter fleet again comes with risk. Airlines need to grow cargo in an agile way that allows for quick adjustments; pursuing such a play should be seen as part of a wider theme of establishing a more flexible production setup. High fixed costs combined with unpredictable demand levels outside an airline's control increase the need for airlines to be able to scale down supply nimbly.

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DOES CHIEF EXECUTIVE OFFICER POWER HAVE AN IMPACT ON EARNINGS MANAGEMENT: EMPIRICAL EVIDENCE IN VIETNAM

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Abstract: *Using a data of of 469 companies listed on two exchanges like HOSE and HNX stocks to assess the power of the Chief Executive Officer (CEO) to the earnings management in the period 2016 to 2020. The study uses the model Dechow et al. (1995) to measure dependent variable representing earnings management. Our fixed -effects panel regression analyses reveal that CEO power has a positive and significant impact on earnings management which means that the CEO is both the founder and the financial expertise that can increase earnings management. However, no significant relationship was found between CEO duality and earnings management. In addition, the study also shows that control variables such as net cash flow from operating activities, firm size, financial leverage also have a significant impact on earnings management in discretionary accruals measurement models. Overall, this study provides empirical data about the impact of CEOs' power on earnings management and how these different characteristics can facilitate the transition to manipulate and influence the quality of financial communicate.*

Keywords: *Earnings management, Power of the Chief Executive Officer, VietNam*

1. INTRODUCTION

The success of a business is certainly the result of the tireless work of the executive board, especially the top leader - the CEO. The CEO plays a very important role, holds the highest title in the management and executive team of the company, is the person most responsible for decisions on direction, strategic vision and supervision all activities of the unit. There are a number of theories to support the view that CEO profiles play a role in earnings quality, but the literature on this issue is rather limited. For example, the decision-making process of executives is influenced by their perception of situations, and this may depend on personal characteristics such as personality, qualifications, gender, etc. calculation (Hambrick & Mason, 1984; Hambrick, 2007). The superiority theory also predicts that the business performance of the entity is also influenced by the decisions of senior management, typically the chief executive officer (Hambrick et al., 2005). Because accounting standards allow professional judgment to be used in choosing suitable accounting policies or when there is uncertainty, the accounting numbers are estimated to satisfy the prudent and It is precisely this that makes the CEO's characteristics related to financial decisions affect the profit figure on the financial statements. At the same time, according to management theory, CEOs are individuals who have the need, work motivation, exercise their responsibilities and power to

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receive more and more recognition from their colleagues. Accordingly, CEOs are managers, and the CEO's job is more convenient when they are empowered and have high self-determination ability (Donaldson & Davis, 1991), that is, when they jointly hold the role of chairman of the board of directors. then they are willing to work more, increasing the value of the company (Yang & Zhao, 2014). However, according to agency theory, managers specifically CEOs have personal, opportunistic and self-interested tendencies, so once the CEO's power is too great, beyond the control of the board of directors can negative impact on financial reporting quality. Typically, the financial scandals of Enron, Worldcom and a series of global financial scandals all have main causes related to the power of the CEO (Johnson and Yi, 2014). Once power is concentrated in a single individual, the potential for fraud in financial statements is likely (Dunn, 2004).

Debates on the impact of CEO characteristics on corporate governance are diverse, such as: CEO power (Dechow et al., 1996; Farber, 2005; Feng et al., 2011; Ali & Zhang, 2015; Le et al., 2020); CEO qualification (Aier et al., 2005; Gounopoulos & Pham, 2018); CEO reputation (Milbourn, 2003; Francis et al., 2008; Jian & Lee, 2011); CEO's age (Haung et al., 2012; Yim, 2013; Serfling, 2014)... It can be seen that the research on CEOs and corporate governance is quite diverse with different research perspectives. Meanwhile, in countries with emerging markets, empirical studies on forest management are quite limited (Wang & Yung, 2011; Wu et al. 2016) and Vietnam is no exception.

At the same time, Vietnam is a country with an emerging economy that is considered to have low investor protection. Although in recent years, Vietnam has made a lot of progress in the framework of corporate governance, the rating on corporate governance is still quite low compared to other countries in the region (IFC 2018). The average Vietnamese company is only 43.3 points, far behind Thailand's 85.7 points and Indonesia's 70.6 points. In addition, in the 30 years of Doi Moi, Vietnam has developed rapidly with the OECD assessment of growth among the highest in the world (OECD, 2018). Since 1999, Vietnam has been one of the countries with the fastest GDP per capita growth with an average annual rate of 6.4% in the 2000s and 9% growth in 2017 and 2018. Furthermore, Vietnam is a country with an important transition market that should provide research ideas because of its ownership structure. Phung and Mishra (2016), Essa et al. (2016) argue that Vietnam is a country with a one-party political system and the majority of companies are based on state ownership. Among listed companies in Vietnam, the State often holds a large number of shares, so control often belongs to representatives appointed by the State (WorldBankd, 2005) and these State-owned companies usually only appoint the CEO cum chairman of the board of directors immediately after the company is listed. Therefore, the power of the chief executive officer (CEO) is evidently established in listed companies in Vietnam. The CEO will make all the important decisions of the company (Adams et al., 2009). Li et al. (2011) argue that if there are different opinions, the opinion of the CEO with power will be the final decision. Therefore, research on earnings management in Vietnam is a very necessary issue to fill the gap in the overall picture of earnings management and to serve as an important foundation for future studies on earnings management. Therefore, this study was conducted to solve the above problems.

The first part of the research paper is an introduction, followed by the presentation of the theoretical basis and research hypothesis. The third part describes the research method and the scale of the variables in the model. Finally, the article discusses the study results and conclusions.

2. THEORETICAL FOUNDATIONS AND RESEARCH HYPOTHESES

In recent years, Vietnam has become one of the countries with large investments in Southeast Asian countries (OECD, 2018) and is determined to move towards a revolution that focuses on the most issues. Especially foreign investment has promoted the country to become a leading destination for foreign investment. Therefore, the requirement of supervision in public companies, especially the supervision of the activities of the chief executive officer has become important.

The CEO with his or her personal characteristics such as expertise, gender, founder and duality along with and specific career skills can influence value creation, strategic choices, etc. financial statements and strategies (Hambrick & Mason, 1984). At the same time, superiority theory also assumes that the CEO's personality, experience, and values influence strategic choices by explaining the situations in which they must make decisions (Hambrick, 2007). In addition, Hambrick and Mason (1984) also acknowledge that CEO characteristics can be used to predict their behavior and their role in corporate success. Agency theory argues that information asymmetry motivates managers to make the decisions necessary to improve their situation and maximize their usefulness. These activities are very beneficial for managers and allow them to improve the business situation, to the detriment of stakeholders. Agency theory predicts that managers are motivated to pursue their own interests and increase agency costs for shareholders (Jensen, 1986). At the same time, Choe and Mishra (2014) argue that the more powerful directors are, the greater the compensation and benefits they will receive, and they can use the power given to influence or influence operations. affects the decisions of others in the company (Friedman, 2014), and can also influence the decisions of the chief financial officer (Feng et al., 2011). At the same time, Abernethy et al (2014) find that powerful CEOs may encounter some challenging goals for stock options exercise plans. Furthermore, managers are motivated to work hard in the early years for career growth (Holmstrom, 1982). Feng et al. (2011) argue that CEOs will have more power when they are co-founders. The founders, in their position, have the power to participate in the making of the entity's key business and financial policies. Empirical studies admit that powerful CEOs are likely to engage in financial management and accounting fraud (Dechow et al., 1996; Farber, 2005, Le et al., 2020) and that powerful CEOs can dominate financial director, which influences the internal control system of the entity (Feng et al., 2011). Powerful CEOs are CEOs who are also founders and have financial expertise (Le et al., 2020) and the research results acknowledge that powerful CEOs have a positive and meaningful impact on corporate governance. . Thus, with the above arguments, in this study, the author believes that CEO power has an impact on profit management, so he proposes the hypothesis:

H₁: The CEO has the power to positively affect the earnings management

Over the past two decades, the dual title of CEO has attracted the attention of many researchers (Dalton et al., 1998; Peng et al., 2007). The separation of CEO and chairman positions makes the company's operations more efficient (Krause and Semadeni, 2013). Profit management is likely to be higher in companies with concurrent CEOs, and the separation of management positions will limit earnings management behavior through accruals (Baker et al., 2018). Al-Sraheen and Alkhatib (2016) show the existence of a positive and significant relationship between CEO concurrent and extraordinary accruals. With the above arguments, in this study the author proposes the hypothesis:

H_2 : CEO concurrently serving as chairman of the board of directors is positively correlated with earnings management.

3. RESEARCH METHODS

3.1. Data sample

The study uses the original data sample on the two stock exchanges HOSE and HNX in the period 2016 - 2020 of 706 companies. After excluding companies operating in banking, insurance, real estate, investment funds, securities companies, and companies with insufficient information on executives, the final data sample was collected. used to run the regression was 469 firms with 2.345 observations. The steps taken for the collection of research data are as follows:

First, we base ourselves on the stock codes of listed companies, download the annual report from 2016 to 2020 on vietstock.vn and collect information about the CEO including financial experts, founders and founders. establish and concurrently serve as the Chairman of the Board of Directors. If the above information is not included in the annual report, the company will be excluded from the data sample. After having full information of the CEO, we continue to collect information on extraordinary accruals representing profit management and information related to control variables on the financial statements of qualified companies. in the above step from 2016 to 2020. Finally, the complete data sample includes 469 companies with 2.345 observations for the period 2016-2020.

3.2. Measuring the variables in the research model

Measure the dependent variable

In this study, we calculate discretionary accruals from the point of view of the income statement-based approach. At the same time, we use the Dechow et al. (1995) model to measure the discretionary accrual to represent the earnings management because Chen (2011) considers the Dechow et al (1995) model to be the most optimal or Dechow et al. (1995) admits his model is the best model to identify earnings management. Specifically:

Total accruals (TA_{it}) = Profit after tax $_{it}$ - Net cash flow from operating activities $_{it}$

The Dechow et al (1995) model.

$$\frac{NDA_{it}}{A_{it-1}} = \frac{TA_{it}}{A_{it-1}} = \alpha_i \left[\frac{1}{A_{it-1}} \right] + \beta_1 \left[\frac{\Delta REV_{it} - \Delta AR_{it}}{A_{it-1}} \right] + \beta_{2i} \left[\frac{PPE_{it}}{A_{it-1}} \right] + \varepsilon_{it}$$

Where, for fiscal year t and firm i, TA represents the total accruals defined as the difference between profit after tax and net cash flow from operating; A_{it-1} represents the total assets in t-1, ΔREV is the change in revenues from the preceding year ($REV_t - REV_{t-1}$); ΔAR it is the change in net accounts receivables from the preceding year and PPE stands for the gross value of property, plant, equipment.

From there, the non -discretionary accrual is calculated by substituting the parameters into the corresponding model and finally calculating the discretionary accruals of each enterprise at each time to be studied through the excell data table according to the formula $DA_{it} = TA_{it} - NDA_{it}$

Measure the independent variable

Many studies recognize founders and financial expertise as the two most important factors constituting a powerful CEO (Gao & Jain, 2012; Gounopoulos & Pham, 2017; Li & Srinivasan, 2011). Furthermore, Li and Srinivasan (2011) also suggest that companies with CEO as founder provide more privileges to CEO than in companies where the CEO is not the founder. Founder CEOs are seen as self-employed and this case may show that the CEO's permanent role has increased in power to influence decision-making (Adams et al., 2009) Founders, based on their position, will participate in the entire financial and business policies of the company and have a great influence on the company's culture, strategy, and goals (Stockmans et al., 2010). Dechow et al (1996); Faber (2005); Feng et al. (2011) argue that CEOs as founders are more likely to perform earnings management and accounting fraud.

At the same time, the CEO with financial expertise contributes to the performance of the Board of Directors through management's operational controls such as the quality of financial statements and other control issues (Baldenius et al., 2014).). Although the CEO is not directly involved in overseeing the accounting process, the financial reporting process, the powerful CEO can use the leadership role to influence the CFO and in such situations. , the CFO may be under pressure from the CEO to collude to perform FRM (Feng et al., 2011; Gounopoulos & Pham, 2017). Moreover, CEOs with financial expertise understand accounting policies and accruals well, so they take advantage of their ability and understanding to influence profits for many different purposes (Fraser & Greene, 2006; Gounopoulos & Pham, 2017).

Therefore, in this study, we combine two characteristics of CEO as founder (CEFOUND) and CEO with financial expertise (CEOEXP)¹ into a composite variable of CEO power (CEOPOW). A CEO is considered powerful if: (1) the founder CEO has a value of 1, otherwise 0 and (2) the CEO with financial expertise has a value of 1, otherwise 0 . *CEO power (CEOPOW) is a dummy variable that takes the value 1 if the company's CEO is both the founder (CEFOUND) and has financial expertise (CEOEXP), otherwise it takes the value 0 .*

Control variable

There are 3 control variables used in the study to control other factors affecting earnings management such as company size, financial leverage and net cash flow from operating activities. With the argument that managers at large companies for benefits, there will be more incentives to implement EM than in small companies (Lobo and Zhou, 2006) . At the same time, large-scale companies face greater pressure than small companies to meet or exceed analyst requirements, so the higher the ability to affect accounting data, increasing profit margin. (Barton & Simko, 2002). Next, previous studies have acknowledged that in companies with high financial leverage, managers have a strong incentive to affect profitability, increasing accruals to loosen contractual debt constraints (Defond & Jiambalvo, 1994; Ali et al., 2008, Lakhali et al., 2015). The last is the control variable for net cash flow from operating

¹ According to Aier et al. (2005), in this study the author measures the financial expertise of the CEO using past experience as a CEO or experience as a chief financial officer. main; degree, certificate related to finance and accounting

activities. With the view that operating cash flow limits the behavior of profit management, reducing discretionary accruals (Moradi et al., 2012; Peasnell et al., 2005; Bowen et al., 2008).

Table 1: Variables Definitions and Measurements

Variables	Definitions and Measurements
Dependent variable	
EM	Earnings management refer to the discretionary accruals via Dechow et al. (1995).
Independent variables	
CEOPOW	As a composite variable representing CEO power, is a dummy variable that takes the value 1 if CEOEXP takes the value 1 and CEOFOUND gets the value 1, otherwise 0.
CEOEXP	Expertise of CEO is a dummy, equals one if the CEO has been a CEO, has been a CFO or has a degree in accounting and finance, zero otherwise.
CEOFOUNDER	equals one if the CEO is the founder or a co-founder of the firm, and zero otherwise.
CEO DUAL	CEO is also the chairman of the board of directors, A dummy variable equal to 1 if the CEO of firm i is also the chairman at the board level, and 0 otherwise
Control variables	
SIZE	Company Size, Companies' natural log of total assets
LEV	Financial leverage, measured as the ratio of the companies' total liabilities to the companies' total assets.
CFO	Operating cash flow, measured as the ratio of the companies' operating cash flow to the companies'total assets

3.2. Regression model

Using quantitative research method, based on table database, with the help of stata 16 software, this research conducted build regression model with on dependent variable (EM – earnings management) and independent variables (CEOPOW, CEODUAL) and three control variables (company size – Size; financial leverage – Lev; and cash flow from operating - CFO). Our model which testing research hypothesis formulated is as follows:

$$EM_{it} = \alpha_0 + \beta_1 CEOPOW_{it} + \beta_2 CEODUAL_{it} + \beta_3 SIZE_{it} + \beta_4 LEV_{it} + \beta_5 CFO_{it} + \epsilon_{it}$$

Where: EM refer to the estimate discretionary accruals via Dechow et al. (1995)

4. EMPIRICAL RESULTS

The analysis will start by the descriptive statistics, followed by the correlation analysis and then the results of the regression analysis are met and discussed to see whether the hypotheses are validated or not

4.1. Descriptive statistics

Table 2: Descriptive statistics

Variable	Observation	Mean	Std. Dev.	Min	Max
DA	2.345	-0.00387	0.13388	-0.99641	1.22205
CEOPOW	2.345	0.0282	0.1654	0	1

CEOEXP	2.345	0.18038	0.38459	0	1
CEOFOUND	2.345	0.124094	0.32976	0	1
CEODUAL	2.345	0.7862	0.4101	0	1
SIZE	2.345	11.95397	0.6828	10.2451	14.6258
LEV	2.345	0.50563	0.22167	0.01553	1.20843
CFO	2.345	0.05633	0.12531	-0.53343	1.09178

Note: The dependent variable EM refers to the DA derived from the equation as in Dechow et al. (1995). Refer to Table 1 for the definition of variables.

The given Table 2 indicates the descriptive statistics for explanatory variables and earnings management. With respect to the EM measure of earnings management, the result is -0.00387 of EM for the sample of Vietnamese listed company. Moreover, about 3% of CEOs have finance expertise and are founder. The univariate result also shows that Vietnamese CEOs with a finance expertise is 18%. Approximately 12% of CEOs are founder of the companies they work. In terms of dual leadership structure, the mean of 78% implies that most Vietnamese CEOs hold two positions.

4.2. Correlation analysis

Pearson correlation test is applied to test the association between the dependent and independent variable is given in table 3. The values of the correlation coefficients are all below 0.4 in absolute terms and $vif < 10$, thereby indicating no evidence of multicollinearity and multicollinear phenomenon among the variables. Therefore, the correlation coefficients are too low to cause a collinearity problem in the regression and the model has enough value to predict.

Table 3: Pearson Correlations and VIF Values

	DA	CEOPOW	CEODUAL	SIZE	LEV	CFO	VIF
DA	1						
CEOPOW	0.0324	1					1.06
CEODUAL	-0.053	-0.1817	1				1.04
SIZE	0.0472	0.1449	0.0084	1			1.17
LEV	-0.0085	0.0825	0.0196	0.3612	1		1.17
CFO	-0.3047	-0.0488	0.056	-0.0659	-0.1517	1	1.03
Mean VIF							1.09

Note: This table presents the correlation coefficients among variables used. Refer to Table 1 for the definition of variables

4.3. Regression analysis

Besides, the study meets a test of the variance change and the phenomenon of autocorrelation before testing to select an appropriate regression model. So we use two tests like White and Woolridge, with the results, respectively, $Prob > \chi^2 = 0.000$ (less than 5%) and $Prob > F = 0,2240$, which means that the model has variable variance and no autocorrelation.

In addition, because the database in the study is panel data, the study performs related tests such as F test, LM test and Hausman test for the purpose of determining which regression

model is the most suitable to interpret the results. The result with F test ((Prob>F=0.037) and Breusch -Godfrey serial correlation LM test (Prob > chibar2 = 0.0189), Hausman test (Prob > chibar2 = 0.000) indicate that fixed -effects panel least squares methods should be applied for the dataset employed in this research. To ensure the reliability of the assessment, research used the FEM-ROBUST model because of variable variance (*table 4*)

Table 4: Estimating regression using PoolOLS, FEM, REM and FEM ROBUST via Dechow et al. (1995)

EM	FEM -ROBUST		Pool OLS		FEM		REM	
	Coef.	P- value	Coef.	P- value	Coef.	P- value	Coef.	P- value
CEOPOW	0.05147	0.06*	0.00789	0.629	0.0514706	0.122	0.00914	0.59
CEODUAL	-0.0155	0.326	-0.0107	0.101	-0.0155053	0.256	-0.0105	0.121
SIZE	0.1182	0.001***	0.01029	0.013**	0.1181618	0.000***	0.01056	0.016**
LEV	-0.1087	0.027**	-0.04501	0.000***	-0.1087395	0.008***	-0.0456	0.001***
CFO	-0.3834	0.000***	-0.33042	0.000***	-0.3834316	0.000***	-0.3355	0.000***
Cons	-1.32885	0.001***	-0.07705	0.108	-1.328846	0.000***	-0.0799	0.115
F -Statistic	16.26***		51.77***		48.55***		260.73***	
Adj. R ²	9.8%							
With: *, **, *** at 10%, 5% and 1% significance level; Observation: 2.345, Prob>F = 0.000								

Note: This table presents the regression results of fixed -effect -robust panel data. Refer to Table 4 for the definition of variables. "Coef" and "P-value" represent coefficient and probability, respectively.

The regression results shown in Table 4 show that the F- statistic indicates the overall significance of the model at the 1% significance level. The empirical results has enough evidence to confirm that the power of the chief executive officer with financial expertise and the founder have a positive correlation with the earnings management at the significance level of 10%. The results of this study are consistent with the view that high CEO power are associated with a high level of earnings management. When great CEO power exits in companies, the level of earnings management will increase (Dechow et al., 1996; Farber, 2005, Le et al., 2020). The results are consistent with the characteristics of Vietnam as a country with a one -party institution with the majority of companies having a foundation from State ownership. Among listed companies, the State holds many shares,so the control belongs to the representative appointed by the State. Therefore, the power of the CEO is obviously established in listed companies.

However, the research results do not have enough evidence to recognize that CEO concurrently holding the position of chairman of the board of directors has no correlation with earnings management. This shows that hypothesis H₂ is not accepted and this result is not consistent with the view of Al-Sraheen and Alkhatib (2016).

At the same time, the study also acknowledges that all three control variables are correlated with earnings management. The study admits that the size of listed companies has a positive effect on EM at the 1% significance level, which means that the larger the company size, the more pressure managers have in implementing earnings management to preserve the value of the company. Meanwhile, financial leverage and net cash flow from operating activities have a negative impact on discretionary accruals. That results show that the company has a larger debt ratio, the larger the cash flow, the smaller the ability to perform earnings management.

5. CONCLUSION

This article is conducted to assess the impact of CEO power and CEO duality on earnings management in Vietnam's stock market in the period 2016 - 2020 via Dechow et al. (1995). Experimental results through quantitative method have suggested that CEO power has a positive and significant impact on earnings management. Moreover, the CEO is a founder and has experience in finance and accounting that can increase the behavior of profit management. At the same time, this study also provides practical implications for policymakers to consider and further implement regulatory reform and minority shareholder protection in an emerging economy, especially Vietnam. This study focuses on CEO power so the results have provided evidence that the management and operating structure of public companies has an influence on profit management. However, this article only studies the impact of CEO power and dual positions on corporate governance, so other researchers can combine CEO power with other CEO characteristics such as reputation, income, tenure or characteristics of Board of Directors to provide a more complete theoretical foundation for other studies on financial management.

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REMOTE AUDIT – THE DIGITAL FUTURE OF INTERNAL AUDIT

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Abstract: Vietnam government's orientations to promote the development of digital technology has created a driving force for businesses and organizations in different fields to transform and create breakthroughs in digital technology. Therefore, internal audits also need to make appropriate adjustments, applying information technology to be compatible with the digital technology process of enterprises and supporting the organization achieve its objectives. One of the approaches of applying information technology in implementing the internal audit process is remote auditing. This approach is also considered a feasible and effective way to assist internal audits in ensuring the implementation of workflows in the context of travel restrictions due to Covid-19. Therefore, this article focuses on introducing remote audits as well as the challenges facing internal audits and entities. Some insights also are shared in this article to help Vietnamese entities adapt an effective remote audit.

Keywords: *digital audit, internal audit, remote audit, virtual audit*

1. Introduction

Artificial intelligence (AI), Blockchain, Virtual Reality, Robotics, and Cloud Technology are the most appealing keywords nowadays. Science, technology, and their applications have supported businesses operate their business efficiently and transparently. Digital transformation is an important factor in enhancing the competitive advantage of businesses. In particular, the Covid-19 pandemic is forcing companies to accelerate their digitalization for their post-pandemic survival and recovery. According to a CISCO survey (2020), Covid-19 has led businesses to focus on investing in technologies to ensure organizational resilience, including online sales, digital payments, automating or digitizing processes, ... Especially, 36% of surveyed enterprises have implemented remote working. In the context of digitalization, the implementation of remote working due to Covid-19 also requires the internal audit to look for alternatives for the traditional way of working to meet the role of advising on improving operations and ensuring the achievement of the organization's objectives (KPMG, 2021).

Ten years ago, before researching new audit techniques that incorporate information technology applications in auditing activities, Teeter, Alles, and Vasarhelyi (2010) mentioned an audit method that uses information technology to collect electronic evidence and interact with other departments through technology communication tools called remote audits. Remote audits, however, are still not concerned by auditors and businesses for various reasons, such as the limitation in information technology platforms of enterprises and a lack of awareness of auditors in regard to the benefits

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of remote auditing. The remote audit is typically reserved for audits of geographically remote areas or politically unstable regions (Castka et al., 2021). Covid 19 is seen as a driver factor in prompting remote auditing as an alternative approach to facilitate the performance of the internal audits and address the difficulties of implementing audit activities during this crisis (Castka et al., 2021; Putra, 2021; Serag and Daoud, 2021b). Eulerich, Wagerner, and Wood (2021) argue that the internal audit functions are still fulfilled under remote auditing. Similarly, Willy (2021) also agrees that remote auditing enhances the performance of internal audits by 30.9% during Covid-19.

In Vietnam, the function of internal auditing is increasingly interested by businesses to improve accountability and optimize business performance (Lien, Van Hoi and Anh, 2020). In the complicated context of the ongoing Covid-19 in Vietnam, internal audits need to promote the evaluating and advising roles on operations processes improvement, risk control, supporting businesses to overcome this crisis period. Covid-19 has had devastating impacts on Vietnamese enterprises, causing material shortages, staffing shortages, and supply disruptions. However, Covid-19 is also a milestone to awaken the awareness of Vietnamese businesses about digital transformation for post-pandemic survival and recovery. Currently, some enterprises have gradually deployed digital technology through automating business processes, building e-commerce sales channels, and transitioning business for online working... In this context, internal audit activity needs to make appropriate adjustments, apply information technology to be compatible with the digital technology-based process of enterprises to support, advise, and monitor, assisting an organization to achieve its goals. IIA (2020), Deloitte (2020), KPMG (2021) have accelerated recommended guidelines for remote internal audits to address difficulties caused by Covid-19. Most recently, the State Audit Office of Vietnam has just signed Decision No.1549/QD-KTNN dated August 30, 2021, establishing a steering committee for piloting remote audits at VNPT. Vietnam's government has put huge efforts, representing in some orientations to ignite digital technology development. Resolution No. 52-NQ/TW, published in 2019 sets out guidelines and policies in Vietnam's pursuit of and participation in the Fourth Industrial Revolution; Ministry of Information and Communication - National Programme for digital transformation by 2025 targeting sectors such as agriculture, education, finance, and logistics; Decision No. 127 / QD-TTG of the Prime Minister: Promulgating the National Strategy on Artificial Intelligence Research, Development, and Application by 2030. These indicate that remote audit is not only a measure to tackle the difficulty caused by Covid 19 but also a suitable audit approach with the digital technology development. Therefore, this article focuses on understanding how internal audits are conducted under a remote audit. From there, make recommendations to implement remote audits effectively and in accordance with the Vietnamese enterprise's practices.

2. RESEARCH BACKGROUND

2.1. Introduction to Remote Audit

Teeter, Alles and Vasarhelyi (2010) define the term remote auditing to mean: the process by which internal auditors couple information and communication technology (ICT) with data analytics to gather and assess electronic evidence, interact with the auditee, and report on the accuracy of financial data and internal controls, independent of the physical location of the auditor. ISO 19011 (2018), similarly, defines remote auditing as an audit method of using information

and communication technology for gathering, storing, retrieving, processing, analyzing, and transmitting information. Remote audits, also known as virtual audit, often use electronic tools such as video conferencing, email, and telephone to obtain audit evidence (Serag and Daoud, 2021b). The approach for conducting a remote audit is like in an on-site audit however, it will deploy information and communication technology to inquire auditees (ISO and IAF, 2020). According to Teeter, Alles, and Vasarhelyi (2010), two primary elements should be considered in a remote audit: information and communication technology and data analysis. Specifically, the auditors will use information and communication technology to interact with the auditee's members and use automated tools to retrieve and analyze data from the auditee's system to test transactions and internal controls.

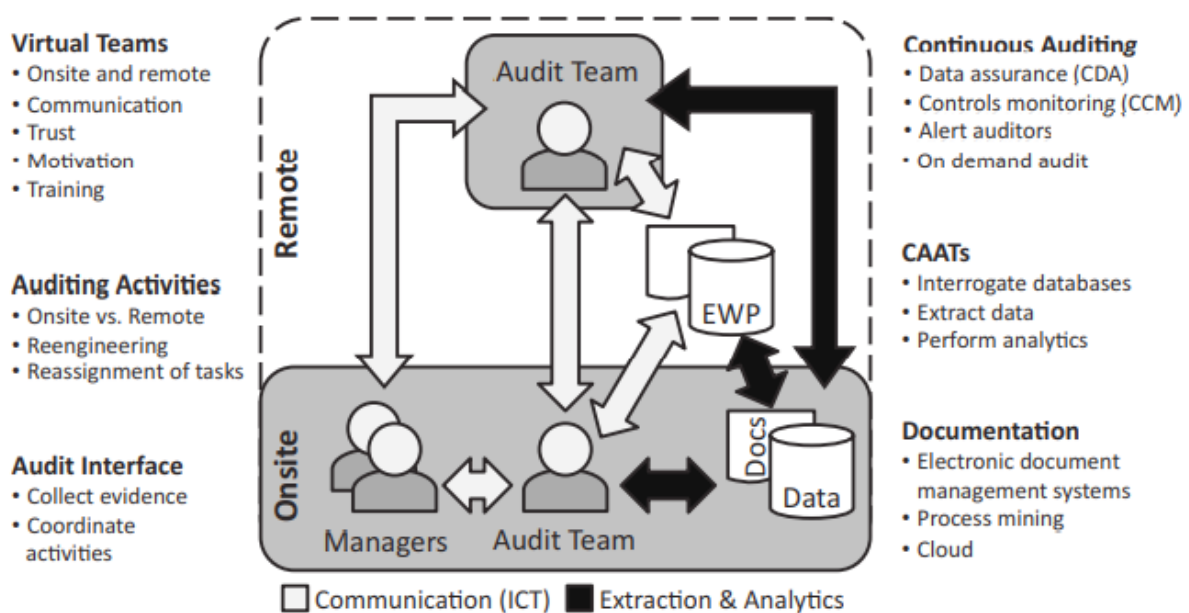


Figure 1: Components of Remote Audit

Source: Teeter, Alles and Vasarhelyi (2010)

In summary, an on-site audit and a remote audit have the same procedures such as documents and records inspection, inquiry, or recalculation, however, the latter will process these procedures through digital technology platforms. Technologies commonly involved in a remote audit including applications of artificial intelligence for data analysis (Castka et al., 2021) in combination with big data (Power BI, Tableau, Python ...); online meeting tools (Zoom, Google Meet, MS Teams, Skype ...), or online interview tools (Tencent VooV, Cisco WebEx) (KPMG, 2021), and file-sharing platforms allowing the digital files to be uploaded and the auditor can receive access to the database for audit without having to be on-site such as cloud, Google Drive, Sharepoint, EDI files, XML...

The remote audit is conducted fully or partially off site (Serag and Daoud, 2021a).

- Partial Remote Audit (Assisted Remoted), also known as hybrid audit, is an audit method that combines remote and on-site procedures. Among them, an auditor is present at the audit site to collect audit evidence under the coordination and guidance of the auditors who are not there

(Castka et al., 2020). The on-site audit serves as a verification for the conclusions of the remote audit and an additional assessment of issues that could not be detected through the remote auditing process (Serag and Daoud, 2021b).

- Full Remote Audit: The auditor is not present on-site at the audited company. The entire audit process uses information technology to carry out the audit evidence obtaining (Serag and Daoud, 2021b). Furthermore, Castka, Searcy and Fischer (2020) also introduce a higher-level form of remote auditing that completely embraces digital technology to assist auditors in decision-making, called technology-enhanced auditing.

Table 1: Characteristics of Partial Remote Audit, Full Remote Audit and Technology -Enhanced Auditing

Characteristics	Assisted Remote Auditing	Full Remote Auditing	Technology -Enhanced Auditing
Approach	Same as on-site; on-site auditor is assisted by technical experts or others that operate remotely	Technology is used to replicate on-site auditing	Technology is used to assist in auditor's decision -making
Data collection	Data exchanged between clients and auditors on-site (e.g., review of hard copies, review of electronic files/databases, in-person interviews)	Data exchanged between clients and auditors remotely (e.g., review of scanned documents, review of cloud-based platforms, review of satellite imaging, interviews through videoconferencing)	Data exchange amongst multiple parties exchanged remotely (e.g., review of cloud-based platforms, review of social media platforms, review of data collected by technology in real-time, interview through video conferencing)
Type of technology	Information and communication technology used to communicate between on-site and remotely based auditors	Information and communication technology, such as audit/ video conferencing, screen sharing is used to replicate on-site audit	Various technologies (e.g., machine learning to identify patterns, make predictions, guide decision-making; sensors collecting real-time information) are used to assist an auditor with an audit
Reliance on technology	Low/Medium Remotely based auditors need to be able to connect with on-site auditors	Medium Relies predominantly on information and communication technology; off-line (e.g., desktop review), or real-time (e.g., e-interviews) or a combination of thereof	High Audit relies on multiple technologies
Auditor Competence	Auditing competence and Information and communication technology competence	Auditing competence and Information and communication technology competence	Auditing competence, Information and communication technology competence, and competence in Big Data Analytics

Source: Castka, Searcy and Fischer (2020)

Currently, for effective remote audit implement, enterprises can embrace several guiding standards related to digital audits, such as (1) ISO 1900:2018 provides general guidelines on

auditing management systems as well as guidance on integrating remote audit methods in audit assessment and planning; (2) IAF MD 4:2018 is a guide on the regulation and use of information and communication technology in auditing. In addition, as recently as June 2021, the global membership organization for credible sustainability standards ISEAL also issued Remote Auditing Good Practices guidelines, which hopefully contribute more direction to organizations when implementing remote audits.

Since remote audits employ digital platforms to perform the audit process, auditors can shorten their audit time by not wasting time traveling between audited locations, thereby quickly providing audit reports, assisting the decision-making function of managers (Serag and Daoud, 2021a). Besides, Teeter, Alles, and Vasarhelyi (2010) states that remote audit reduces latency in the audit process because digital technology could lead to shortening execution and decision-making times, thereby increasing productivity and reducing labor costs. In addition, remote audits can be beneficial for companies and internal auditors, such as there will be a reduction in cost spent on traveling to the clients' locations as well as a cost-saving in printing due to the digitization of documents. Furthermore, since the development of online meeting technology, it is very convenient to enquire clients or experts. The application of analytical tools, likewise, helps strengthen the effectiveness of the audit (IIA, 2020; Kashyap, 2020; Serag and Daoud, 2021a). Remote audits, however, also face more limitations than traditional audit approaches such as virtual audit makes it hard to build rapport with the auditee, and the lack of in-person interaction opens other opportunities for fraud (IIA, 2020; Kashyap, 2020).

2.2. Remote Audit Process

The remote audit process also includes four basic phases analogous to a traditional audit: Planning, Preparing, Performing the remote audit, and remote audit Reporting (IIA, 2020; Kashyap, 2020; KPMG, 2021; Serag and Daoud, 2021b). However, the execution of the remote audit will differ from the traditional audit. Specifically:

Remote audit Planning: This phase is critical in a remote audit and it often occupies more time than what is needed for a traditional audit (IIA, 2020). The audit manager must choose an approach that is appropriate to the infrastructure and technology of the entity. Internal audits need to discuss and explain concretely the schedule, scope, the technology to be used, and the approach of remote audit to relevant departments of the business. In particular, it is essential to reassess priorities as newly emerged risks have to be taken into account in light of the current circumstances (KPMG, 2021). In addition, the remote audit and the on-site audit should be planned accordingly and described clearly which criteria/checkpoints will be audited remotely and which will be part of the on-site audit (Serag and Daoud, 2021b).

Preparing: In this phase, the auditor has to take into account some key points before performing a remote audit, including (1) identifying documents to be inspected, checking the document availability, and requiring the audited department to be ready to share documents on document sharing platforms; (2) identifying digital tools to be used for interviews and remote audits; (3) identifying a list of interviewees who will participate in a remote interview with the auditor; (4) site reconnaissance to assess the feasibility and suitability of remote audits such as connectivity, sound quality (IIA, 2020, KPMG, 2021, Serag and Daoud, 2021b).

Audit Performing: This phase in a remote audit is relatively similar to that of a traditional audit. Only three main differences are the inspected documents will be transferred through document sharing platforms, video conferencing will replace the interviews, and observations need to be completed through video sharing (Serag and Daoud, 2021b).

To be able to conduct an effective audit, IIA (2020), KPMG (2021) make several recommendations:

- For data-sharing platforms: Internal auditors need to pay attention to document accessibility and security. Make sure access is sufficiently restricted and secured when putting these documents on sharing platforms to avoid cases of data leakage or deleted audit trails. In addition, attention should be paid to the appropriate method of storing audit evidence.

- For video conferences: internal auditors need to choose the right tool for their business, pay attention to technical issues such as image, sound, connectivity quality. It is also important to ensure information security, identify and assign access to the right interviewees. In addition, the auditor should investigate the possibility of recording video sessions to facilitate notes taking.

- It is essential to develop a proper checklist and interview schedule. Auditors should come ready with a list of questions to be inquired, try to avoid long interviews as they will reduce the interviews' effectiveness.

Remote audit reporting: Since remote auditing adopts digital technology to perform the audit, the reporting protocols can be revisited with regard to their frequency and the way of reporting (document, video calls) to the board and audit committee (Serag and Daoud, 2021). Before releasing the report, the internal audit should pay attention to the following key issues: identifying the key risks of the business; validation of findings because conducting online interviews may lead to misunderstanding between participants; reassess the effectiveness of remote audit tools to improve audit efficiency (KPMG, 2021). In addition, businesses should pay attention to the security of documents shared with auditors on data-sharing platforms after the end of the audit (Taylor, Twitty, and Islam, 2021).

3. REMOTE AUDIT PRACTICES AND CHALLENGES

Although mentioned by Teeter, Alles, and Vasarhelyi (2010) ten years ago, remote audits are still not of interest to businesses due to barriers in information technology deployment, as well as the auditor are unaware of these benefits (i.e., they have not tried remote audits) or have not achieved these benefits in the past (Eulerich, Wagerner, and Wood, 2021). It was not until 2018 that ISO issued some general guidelines on remote auditing and the IAF released a number of regulations on the use of information and communication technologies in audits. At that time, remote audits were more noticeable but only reserved for audits of geographically remote areas or politically unstable regions (Castka et al., 2021). The Covid-19 outbreak makes remote auditing a viable solution to address blockades, social distancing, and working from home (Hannon, 2020); Putra, 2021; Serag and Daoud, 2021b). In Germany, according to a survey conducted by Eulerich, Wagerner, and Wood (2021), the percentage of internal audits that turn to remote audits for operational auditing, financial statements auditing is over 66%, and internal auditors perceive no difference in the

efficiency and effectiveness of remote audits relative to traditional audits. Similarly, Hannon's (2020) survey indicates 67% of internal auditors of pharmaceutical and biotechnology companies in Ireland performed remote audits during the Covid-19 outbreak. In New Zealand and China, food manufacturers and businesses also apply remote audits during the period of social distancing due to Covid (Castka et al., 2021). In the banking sector, the experimental research of Willy (2021) at a state-owned bank in Indonesia also agrees that remote audits improve the performance of internal audits by 30.9% during Covid-19. The Serag and Daoud study (2021b) also assessed the importance of remote audits in the context of the Covid-19 epidemic when surveying internal auditors and researchers in Egypt. It can not be denied that the remote audit has supported various kinds of businesses in different countries in tackling the travel restriction issues due to the Covid-19. The application of remote audits has the same effect as the traditional method ones. It can even help businesses saving money and time.

Castka et al., (2021), however, also point out that investing in information technology platforms that support remote audits can increase expenses, which makes it possible for internal audits to delay remote audit adoption. In addition, implementing remote audits may face some of the following challenges:

- Currently, there are some organizations concerned that remote audit does not guarantee audit quality (Kashyap, 2020; Eulerich, Wagerner, and Wood, 2021). As a result, the remote audit is seen as an invalid method because there is no framework for how long remote audits are appropriate to obtain reliable audit evidence (Serag and Daoud, 2021b).

- The initial cost of deploying digital technology tools for remote audit is too high to make businesses feel embarrassed; Internet connection failures also affects the expected audit schedule (Serag and Daoud, 2021b). Some businesses do not currently have available electronic documents, which in turn takes a lot of time and cost to transit to digitalization (Taylor, Twitty and Islam, 2021). The shift to the digitization of documents and tools also increases the risk of data leakage, requiring a lot of costs to secure data (Kashyap, 2020).

- There is a shortage of internal auditors who are both skilled and knowledgeable in the field of information technology, master digital tools to be able to deploy and guide interviewees (Taylor, Twitty and Islam, 2021, Serag and Daoud, 2021b). This can also affect the audit evidence quality and the audit's effectiveness. In addition, guiding internal audit team members through calls also encounters many obstacles.

- A remote interview can also make it difficult to interact with the interviewees, increasing the likelihood of fraud because the auditor cannot check it directly but only through videos, calls, or electronic documents (Serag and Daoud, 2021b, Castka et al., 2021).

- Regarding multinationals, time zone deviations lead to difficulties in formulating audit schedules in line with locations in different geographic regions (Taylor, Twitty and Islam, 2021; Serag and Daoud, 2021b).

4. INSIGHTS FOR EFFECTIVE REMOTE AUDIT IMPLEMENTATION IN VIETNAM

Before the Covid-19 pandemic broke out in Vietnam, the concept of the remote audit was not paid much attention, especially concerning the internal audit. Auditors still apply the

means of communication technology at work but are mainly used to analyze data for detecting volatility trends rather than conduct interviews through online meeting software. In addition, since enterprises have not yet implemented the digitization of documents, the auditor still perform the inspection on a paper documents basis. When the Covid-19 pandemic first broke out in Vietnam, social distancing regulations made auditors could not come to businesses to audit. It makes remote auditing become one of the solutions to deal with these difficulties. However, the implementation of remote audits during this period mainly applies to the financial statements audits of independent auditors due to the requirement in timing to disclose the audited financial statements. Regarding government audit, most recently, the State Audit Office of Vietnam has just signed Decision No.1549/QD-KTNN dated August 30, 2021, establishing a steering committee for piloting remote audits at VNPT. With regards to internal audits, however, there are no legal documents for guiding or regulating the implementation of remote audits. Furthermore, there have been no publications of experimental researches on the application of remote audits in Vietnamese enterprises during the epidemic. Therefore, the assessment of the level and effectiveness of applying remote internal audits in Vietnam is still an open issue. Just like other countries that have applied remote audits, the remote internal audit in Vietnam also faces some of the following challenges:

- Currently, there is no specific guidance on the remote audit process for businesses in Vietnam. Businesses that desire to implement remote audits have to deploy the process of foreign organizations. It may consequence in a slight decrease in the effectiveness of remote audits due to the differences in the operating environments.

- The role and importance of internal auditing have not been adequately recognized in many businesses, leading to the construction of internal audit departments that are only countermeasures, not focusing on the effectiveness of internal audits.

- The initial cost for deploying information technology infrastructure, data security, and software of remote auditing is considerable. Hence, this investment is a great deal of consideration of businesses, especially in the context of the Covid-19 epidemic, which greatly impacts the firm's profitability. In addition, Vietnamese enterprises still do not use many electronic and digitized documents, mainly paper documents.

- There is a shortage of internal auditors who have the knowledge and experience in the field of information technology, the capability in occupying digital technology tools proficiently for effective deployment of remote audits

The Vietnam government's orientation to promote the development of digital technology has created a driving force for businesses and organizations in different fields to transform and create breakthroughs in digital technology. Covid-19 also promotes many technology initiatives, contributing to accelerating the speed of digital transformation for Vietnamese enterprises. At the same time, the role and function of internal auditing are increasingly concerned by Vietnamese enterprises to improve accountability and optimize business performances (Lien, Van Hoi, and Anh, 2020). These indicate that remote audit is not only a measure to tackle the difficulty caused by Covid 19 but also a suitable audit approach with the digital technology development. Eulerich, Wagerner, and Wood (2021), Taylor, Twitty, and Islam (2021) argue that there are a number of factors driving the success of remote audits including infrastructure, audit tools, entity's

awareness, internal auditors, and audit processes. Therefore, in order to overcome these challenges and effectively implement remote audits in Vietnam, it is necessary to implement the following measures:

General orientation:

- The Government should continue to play a guiding role in promoting the development of digital technology through specific synchronous implementation strategies and plans for the digital revolution.

- Enterprises need to build a sense of digital transformation, awareness of the importance of internal audits for the sustainable development of their businesses and the benefits of remote auditing.

- Internal auditors need to be equipped with knowledge and skills, especially information technology capabilities to meet job requirements in the current context of strong digital transformation.

Orientations for Remote audit at enterprises:

- Enterprises need to develop investment strategies for software and technology, plan to convert documents to digital forms, and pay special attention to investment in cyber security.

- Assign appropriate personnel to perform remote audits, and have a development training orientation in expertise and skills that meet job requirements

- Internal audits need to develop a remote audit process that suits the entity's characteristics. In particular, the planning phase should be carefully carried out by the auditor, determining which criteria/checkpoints will be audited remotely. Besides, it is necessary to make an accomplished preparation for smooth video conferences. The process of conducting the audit should be promptly reported the emerged incidents and clarified with the auditees. Reports of internal audits should be carried out regularly and promptly.

- In the initial stage, a combination of traditional audit and remote audit may be considered in order to save the entity's costs and ensure the audit's effectiveness. It is an attempt to familiarize auditors with the remote audits. When the businesses have sufficient physical and human resources, it is possible to proceed to the full remote audit or even technology-enhanced auditing.

5. CONCLUSION

Switching to remote audits is an inevitable trend for internal audits to ensure the role of risk management, improve operational efficiency, and contribute to increasing the post-pandemic survival and recovery of entities. However, the infrastructure barriers and the incompatibility of information technology systems and audit teams make the implementation of remote audits at enterprises facing many challenges. It is essential to get the support of the government, along with the awareness and boldness of the business and the sense of professional development of internal auditors to support the implementation and effective application of remote audits in Vietnam. The decision No. 1549/QĐ-KTNN of the State Audit Office of Vietnam, establishing a steering committee for piloting remote audits at VNPT, is expected to create a premise for the development

of remote audits not only in the field of government audit but also in the field of internal audit in Vietnam. The government must promote the 4th technological revolution, creating incentives for businesses to digital transformation. Along with this, the Ministry of Finance and the Vietnam Association of Certified Public Accountants should promptly finalize guidelines and regulations on implementing remote internal audits in enterprises to support entities in orientation and transition to remote auditing, especially in force majeure situations such as natural disasters and epidemics.

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INTERNAL AND MACROECONOMIC FACTORS AFFECTING THE CAPITAL ADEQUACY RATIO OF COMMERCIAL BANKS IN VIETNAM

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Abstract: *This study aims to determine how the internal factors in the bank and the macroeconomic factors of the economy affect the capital adequacy ratio (CAR) of the bank. The study used data from 18 commercial banks collected during the period from 2009 to 2019. The article used panel data regression with the GMM method to overcome the defects of the model. The research results showed that the internal factors of the commercial banks, such as return on total assets (ROA), bank size (SIZE), Liquidity ratio (LIQ), negative impact on CAR. Macro-economic factors, including Gross domestic product (GDP) and Consumer price index (CPI), have a statistical significance of 1 percent. Based on the author suggests governance implications for bank managers to maintain the capital adequacy ratio at an appropriate level, comply with the law, be safe for depositors but still ensure the safety of depositors and protect the interests of shareholders.*

Keywords: CAR, commercial, bank, internal, macroeconomic, UFM.

1 INTRODUCTION

In recent years, Vietnam's commercial banking system has paid attention to risk management in addition to profit growth. By the end of 2019, 18 commercial banks applied Circular No. 41/2016/TT-NHNN - Circular stipulating capital adequacy ratio for banks and foreign bank branches. In terms of the orientation of the State Bank, the issuance of Circular No. 41/2016/TT-NHNN, Circular No. 13/2018/TT-NHNN are legal documents built based on management risk management according to Basel II.

Vietnamese commercial banks are building a risk management system that meets the principles and standards of the Basel II Treaty. Commercial banks must meet Basel II standards. The banking system needs to meet all three pillars: Pillar 1 is capital adequacy, pillar 2 is the inspection process by supervisors, and pillar 3. market principle. Pillar 1 focuses on determining the minimum capital adequacy ratio that a bank needs to maintain to cope with possible events during its operation, according to the study of Yonas, M. F. (2017). According to the recommendations of the Basel Committee, banks need to maintain the minimum capital adequacy ratio at 8%. In Vietnam, the regulation of the minimum capital adequacy ratio is not uniform. Banks applying the capital adequacy ratio calculation according to Circular No. 41/2016/TT-NHNN must maintain the capital adequacy ratio at least 8%.

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Commercial banks continued applying the capital adequacy ratio calculation according to Circular No. 22/2019/TT-NHNN must maintain the capital adequacy ratio at least 9%. Through aggregated data on capital adequacy ratio of Vietnamese commercial banks in 2009-2019, there are many commercial banks maintaining capital adequacy ratio at a high level of over 15%, such as An Binh Bank, Sai Gon bank, Kien Long bank, Eximbank, Vietcapital Bank. On the other hand, some commercial banks maintain a capital adequacy ratio a few percentage points higher than the prescribed level, such as Vietcombank, Vietinbank, BIDV, Agribank. Keeping the capital adequacy ratio too high is also not suitable for the bank's operations. When the capital adequacy ratio is too high, the bank has to reserve more capital or invest in assets with a lower level of risk, leading to low capital efficiency and lower profits. Therefore, the author researched the internal and macroeconomic factors affecting the capital adequacy ratio of commercial banks in Vietnam.

2 LITERATURE REVIEW

Capital adequacy ratio (CAR)

The capital adequacy ratio is the basis for measuring the bank's capital adequacy. The capital adequacy ratio reflects the soundness, "health" of a bank to ensure that banks can withstand the losses from operating losses by Tasan, T. H. (2015). The capital adequacy ratio shows the intrinsic strength of the bank to withstand losses in times of crisis. The higher the capital adequacy ratio, the greater the internal power of the bank, ensuring the smooth operation of the bank, thereby protecting the interests of shareholders, investors and depositors by Billiams, G. T. (2016). Marsida, H. G. (2016) studied the Basel Committee's regulation on capital calculation as the international standard in calculating banks' capital adequacy ratio. The Basel Committee recommends that banks maintain a minimum capital adequacy ratio to control the stability and performance of the financial system by Pornkul, N. S. and Powell, R. F. (2015). The minimum capital adequacy ratio recommended by Basel is not less than 8%.

Rate of return on total assets (ROA)

Sarkaya, Y. S. (2017) studied return on assets (ROA), an indicator of how profitable a company is relative to its total assets. ROA gives a manager, investor, or analyst an idea of how efficient a company's management is at using its assets to generate earnings. ROA, in basic terms, tells you what profits were generated from invested capital (assets) by Worknah, F. T. (2017). ROA for public companies can vary substantially and will be highly dependent on the industry. This factor is why when using ROA as a comparative measure, it is best to compare it against a company's previous ROA numbers or a similar company's ROA by Brose, L. E. (2015). From there, the hypothesis is:

Hypothesis H1: The rate of return on total assets (ROA) negatively impacts the capital adequacy ratio of commercial banks in Vietnam.

Bank size (SIZE)

Karim, M. Z. A. (2016) studied the size of the bank determined by the total assets of the bank. The author takes the logarithm of the total assets to bring the value of the total assets close to the size of the other explanatory variables. Previous studies have shown that large-sized banks have

reduced risk control and low safety because they invest in high-risk assets, according to the study of Kultan, K. G. (2016). So, the hypothesis is:

Hypothesis H2: Bank size (SIZE) negatively impacts the capital adequacy ratio of commercial banks in Vietnam.

Liquidity ratio (LIQ)

Liquidity is measured in securities to total assets by Bosdone, C. M. (2017). Thus, a bank with more liquid assets does not need to borrow and holds a higher level of equity. Thereby, it shows a positive relationship between liquidity and capital adequacy ratio Khurram, S. T. (2017). So, the hypothesis is:

Hypothesis H3: Liquidity ratio (LIQ) negatively impacts the capital adequacy ratio of commercial banks in Vietnam.

Gross domestic product (GDP)

Studies show that economic growth negatively affects the capital adequacy ratio by Wakilifard, F. A. (2014). Sathuva G. M. (2018) showed that banks tend to reduce their capital adequacy ratio to take advantage of growth opportunities in a solid economic cycle. On the other hand, banks tend to increase the capital adequacy ratio during the economic downturn to reduce risks. So, the hypothesis is:

Hypothesis H4: Gross domestic product (GDP) positively impacts the capital adequacy ratio of commercial banks in Vietnam.

Consumer price index (CPI)

The consumer price index increased; the State Bank had to tighten monetary policy to reduce money in circulation. However, the demand for loans of businesses and individuals was still huge can satisfy a small number of customers with signed contracts or efficient projects, with the acceptable level of risk by Tulia V. R. (2018). On the other hand, due to high deposit rates and high lending rates, this has worsened the bank's investment environment, and moral hazards will arise. Thus, high inflation has weakened or even disrupted the capital market, significantly affecting the operation of commercial banks by Trecas, R. T. (2017). Moreover, the volatility of prices, including the cost of capital, has undermined the confidence of investors and the public, making it difficult for customers to make decisions as well as financial institutions – Credit by Serlanto, A. B. (2014). Therefore, from the perspective of commercial banks, it is necessary to have measures to control inflation. So, the hypothesis is:

Hypothesis H5: The consumer price index (CPI) positively impacts the capital adequacy ratio of commercial banks in Vietnam.

A research model for the internal and macroeconomic factors affecting the capital adequacy ratio of commercial banks in Vietnam following:

$$CAR_{it} = \alpha + \beta_1 ROA_{it} + \beta_2 SIZE_{it} + \beta_3 LIQ_{it} + \beta_4 GDP_{it} + \beta_5 CPI_{it} + \epsilon_{it}$$

CAR is the dependent variable, and others are independent variables.

TABLE 1
RESEARCH HYPOTHESIS FOR FACTORS IMPACTING THE CAPITAL ADEQUACY RATIO OF COMMERCIAL BANKS IN VIETNAM

Hypothesis	Content	Expectation
H1	The rate of return on total assets (ROA) negatively impacts the capital adequacy ratio of commercial banks in Vietnam	-
H2	Bank size (SIZE) negatively impacts the capital adequacy ratio of commercial banks in Vietnam	-
H3	The liquidity ratio (LIQ) negatively impacts the capital adequacy ratio of commercial banks in Vietnam	-
H4	Gross domestic product (GDP) positively impacts the capital adequacy ratio of commercial banks in Vietnam	+
H5	The consumer price index (CPI) negatively impacts the capital adequacy ratio of commercial banks in Vietnam	-

Source: author suggestion

Table 1 showed five hypotheses for factors impacting the capital adequacy ratio of commercial banks in Vietnam. First, gross domestic product (GDP) positively impacts.

3. METHODS OF RESEARCH

In this article, the author applied the Generalized Method of Moments (GMM) to estimate data. And this method is to overcome endogeneity, variable variance, and autocorrelation. This method was proposed and developed. In this study, the author uses the two-step GMM method by Tosama, A. D. and Hassan, M. R. (2018).

$$CAR_{it} = \alpha + \beta_1 ROA_{it} + \beta_2 SIZE_{it} + \beta_3 LIQ_{it} + \beta_4 GDP_t + \beta_5 CPI_t + \varepsilon_{it}$$

In which: Dependent variable: CAR is capital adequacy ratio;

Explanatory variable: ROA: return on total assets; SIZE: bank size; LIQ: liquidity; Gross domestic product (GDP); and Consumer price index (CPI); $\varepsilon_{i,t}$: overall error.

The author uses descriptive statistics to describe the essential data collected from 18 Vietnamese commercial banks from 2009 to 2019. Descriptive statistics show the use of data. Graphs continued depicting the data. To understand the phenomena and make the right decisions, the basic methods of data description through descriptive statistics tables such as mean, maximum, minimum, standard deviation.

The economy affected the capital adequacy of Vietnamese commercial banks. Quantitative research methods are used in data collection, descriptive statistics, model testing, estimating variables, and assessing the impact of internal and macro-economic factors. Specifically, the research model and data analysis method used the cross-table data in the study. Based on the overview of previous studies and the practice in Vietnamese commercial banks, the author proposes a research model and research variables suitable for conditions in Vietnam.

According to Silge, B., and Gokhan, C. F. (2015), the correlation coefficient indicates whether the evaluated and tested variables correlated with each other through Pearson's coefficient (r). The correlation coefficient (r) is a statistical indicator that measures the correlation between two variables. The correlation coefficient has a value from -1 to 1.

OLS and GMM is a regression model published by Lars Peter Hansen in 1982 in "Large Sample Properties of Generalized Methods of Moments Estimators." it is to see the degree of influence of factors on capital adequacy. The article used the Generalized Momentum estimation method - GMM to perform regression of research data.

GMM is a combination of popular estimation methods such as OLS. Therefore, GMM is a superior method in solving the endogenous problem of the research model (as pointed out in the research gap section), ensuring the research results are reliable by Bariff, E. G. & Michael S. (2018).

Finally, to ensure that the accuracy of the built regression equation is appropriate, the author also carried out a series of tests for hypothesis violation in multiple linear regression. The hypothesis violations tested in this section include linear relationship regular distribution of residuals. Besides, the residuals' independence is also known as autocorrelation (using Durbin - Watson statistics), multicollinearity, variance inflation factor (VIF), measures the amount of multicollinearity in a set of multiple regression variables. Mathematically, the VIF for a regression model variable is equal to the ratio of the overall model variance to the variance of a model that includes only that single independent variable.

4. RESEARCH RESULTS

Descriptive statistics for factors impacting the capital adequacy ratio of 18 commercial banks in Vietnam from 2009 to 2019, the author had results following:

TABLE 2
DESCRIPTIVE STATISTICS FOR FACTORS IMPACTING THE CAPITAL ADEQUACY RATIO
OF COMMERCIAL BANKS IN VIETNAM

	N	Minimum	Maximum	Mean	Std. Deviation
CAR	198	0.104	0.178	0.13594	0.015559
ROA	198	0.001	0.077	0.01098	0.010043
SIZE	198	6.862	9.173	7.96834	0.502831
LIQ	198	0.046	0.533	0.19291	0.091409
GDP	198	5.030	7.080	6.20182	0.694706
CPI	198	0.630	18.580	6.15455	4.738169
Valid N (listwise)	198				

(Source: Data processed by SPSS 20.0)

Table 2 showed 198 observed variables from 18 commercial banks for the period 2009-2019. The above result is excellent because the standard deviation in each year does not change much.

TABLE 3
CORRELATIONS FOR FACTORS IMPACTING THE CAPITAL ADEQUACY RATIO
OF COMMERCIAL BANKS IN VIETNAM

		CAR	ROA	SIZE	LIQ	GDP	CPI
CAR	Pearson Correlation	1	-0.353**	-0.551**	-0.230**	0.168*	-0.353**
	Sig. (2-tailed)		0.000	0.000	0.001	0.018	0.000
	N	198	198	198	198	198	198
ROA	Pearson Correlation	-0.353**	1	0.012	-0.105	-0.051	0.093
	Sig. (2-tailed)	0.000		0.863	0.141	0.477	0.190
	N	198	198	198	198	198	198
SIZE	Pearson Correlation	-0.551**	0.012	1	-0.203**	0.279**	-0.233**
	Sig. (2-tailed)	0.000	0.863		0.004	0.000	0.001
	N	198	198	198	198	198	198
LIQ	Pearson Correlation	-0.230**	-0.105	-0.203**	1	-0.290**	0.387**
	Sig. (2-tailed)	0.001	0.141	0.004		0.000	0.000
	N	198	198	198	198	198	198
GDP	Pearson Correlation	0.168*	-0.051	0.279**	-0.290**	1	-0.432**
	Sig. (2-tailed)	0.018	0.477	0.000	0.000		0.000
	N	198	198	198	198	198	198
CPI	Pearson Correlation	-0.353**	0.093	-0.233**	0.387**	-0.432**	1
	Sig. (2-tailed)	0.000	0.190	0.001	0.000	0.000	
	N	198	198	198	198	198	198
**. Correlation is significant at the 0.01 level (2-tailed).							
*. Correlation is significant at the 0.05 level (2-tailed).							

(Source: Data processed by SPSS 20.0)

Table 3 showed that matrix analysis of correlation coefficients between variables shows no high correlation between variables. The highest correlation value is $0.551 < 0.8$. The VIF exaggeration coefficient test results for the VIF values of the explanatory variables are all less than 10, showing that the correlation between the explanatory variables is relatively weak. The model does not have multicollinearity.

Besides, table 3 showed 198 observed variables from 18 commercial banks for the period 2009-2019. The above results showed that CAR with Roa, Size, Liq, Gdp, and Cpi with a significance level of 1%. Table 3 shows that the Pearson correlation coefficient (Pearson correlation coefficient, denoted r) is a test statistic that measures the systematic relationship between dependent variables and independent variables. The correlation coefficient will be $r = 0$: Two variables have no linear correlation; $r = 1$; $r = -1$: Two variables have an absolute linear relationship. $r < 0$: Negative correlation coefficient. The value of variable x increases, the value of variable y decreases, and vice versa. The value of variable y increases, the value of variable x decreases. $r > 0$: Positive correlation coefficient. The value of variable x increases, the value of variable y increases, and vice versa, the value of variable y increases, and variable x also increases. The above results showed that Car correlated with Roa, Size, Size, Gdp, Cpi at the significance level of 1%.

TABLE 4
TESTING OLS FOR FACTORS IMPACTING THE CAPITAL ADEQUACY RATIO
OF COMMERCIAL BANKS IN VIETNAM

Dependent Variable: CAR				
Method: Least Squares				
Date: 06/26/21 Time: 11:22				
Sample: 1 198				
Included observations: 198				
Variable	Coefficient	Std. Error	t-Statistic	Probability
C	0.313205	0.011499	27.23669	0.0000
ROA	-0.512332	0.061688	-8.305278	0.0000
SIZE	-0.022032	0.001278	-17.23329	0.0000
LIQ	-0.040795	0.007429	-5.491453	0.0000
GDP	0.003002	0.001001	2.998533	0.0031
CPI	-0.001109	0.000151	-7.327932	0.0000
R-squared	0.705948	Mean dependent var		0.135939
Adjusted R-squared	0.698291	S.D. dependent var		0.015559
S.E. of regression	0.008547	Akaike info criterion		-6.656749
Sum squared resid	0.014024	Schwarz criterion		-6.557105
Log-likelihood	665.0181	Hannan-Quinn criteria.		-6.616416
F-statistic	92.18934	Durbin-Watson stat		0.664482
Prob(F-statistic)	0.000000			

(Source: Data processed by Eviews)

Table 4 showed that the OLS is a regression model in which all coefficients are constant over time and according to the individual characteristics of each individual. The author will not consider the data set in terms of space and time. But OLS is purely a conventional OLS model estimate. This method will evaluate the effect of the individual characteristics of each individual to be the same. However, the OLS regression method supplied the best, unbiased, efficient linear estimator. The results showed that factors such as Roa, Size, Liq, Gdp, and Cpi affecting Car at a 1% significance level. Besides, Car is the dependent variable, and the rest are independent variables.

TABLE 5
TESTING GMM FOR FACTORS IMPACTING THE CAPITAL ADEQUACY RATIO
OF COMMERCIAL BANKS IN VIETNAM

Dependent Variable: CAR		
Method: Generalized Method of Moments		
Date: 06/26/21 Time: 11:15		
Sample: 1 198		
Included observations: 198		
Linear estimation with one weight update		
Estimation weighting matrix: HAC (Bartlett kernel, Newey-West fixed bandwidth = 5.0000)		
Standard errors & covariance computed using estimation weighting matrix		

Instrument specification: CAR C ROA SIZE LIQ GDP CPI				
Variable	Coefficient	Std. Error	t-Statistic	Probability
C	0.308967	0.015897	19.43532	0.0000
ROA	-0.500253	0.115618	-4.326764	0.0000
SIZE	-0.021715	0.001786	-12.15613	0.0000
LIQ	-0.036651	0.011501	-3.186923	0.0017
GDP	0.002724	0.001031	2.643426	0.0089
CPI	-0.000894	0.000127	-7.033533	0.0000
R-squared	0.693295	Mean dependent var		0.135939
Adjusted R-squared	0.685308	S.D. dependent var		0.015559
S.E. of regression	0.008728	Sum squared resid		0.014628

(Source: Data processed by Eviews)

Table 5 showed five factors: Roa, Size, Liq, Gdp, and Cpi affecting Car at a 1% significance level. Data showed a total of 198 observed variables from 18 commercial banks for the period 2009-2019.

The results show that the CAR coefficient will be affected in the opposite direction by ROA, SIZE, LIQ, CPI, this show that ensuring capital security does not depend on the size and results of business, because this is the level of capital guarantee that banks must comply with, regardless of business activities, the minimum capital adequacy ratio must still be ensured. In addition, if the economic growth is good, it will help the bank increase the CAR coefficient.

TABLE 6
TESTING VIF FOR FACTORS IMPACTING THE CAPITAL ADEQUACY RATIO
OF COMMERCIAL BANKS IN VIETNAM

Model	Collinearity Statistics	
	Tolerance	VIF
(Constant)		
ROA	0.966	1.035
SIZE	0.897	1.115
LIQ	0.804	1.244
GDP	0.767	1.305
CPI	0.721	1.387

(Source: Data processed by SPSS 20.0)

Table 6 showed five factors: Roa, Size, Liq, Gdp, and Cpi with VIF < 3.0. Data showed a total of 198 observed variables from 18 commercial banks for the period 2009-2019. The above results are consistent with the research data set, and the independent variables had no correlation with each other, or the phenomenon of multicollinearity does not occur.

5. CONCLUSIONS & POLICY IMPLICATIONS

5.1. Conclusions

The capital adequacy ratio is the basis used to measure a bank's capital adequacy. The capital adequacy ratio reflects the soundness and health of a bank to ensure that banks can endure gain from operating losses. The capital adequacy ratio shows the intrinsic strength of the bank to withstand losses in times of crisis. In addition, the higher the capital adequacy ratio, the greater the internal power of the bank, ensuring the smooth operation of the bank, thereby protecting the interests of shareholders, investors, and investors depositors. The Basel Committee's regulation on capital calculation is the international standard in calculating banks' capital adequacy ratio. The Basel Committee recommends that banks maintain capital adequacy ratios at a minimum to control the stability and performance of the financial system. Data showed a total of 198 observed variables from 18 commercial banks for the period 2009-2019. Besides, research results showed that five factors such as Roa, Size, Liq, Gdp, and Cpi affecting Car at a 1% significance level. The above result is a fundamental scientific basis for the author to propose the following policy implications.

5.2. Policy implications

Based on the results mentioned above, the author enhances the following policy implications:

(1) The research results showed that the impact of return on total assets (ROA) on capital adequacy ratio (CAR) of Vietnamese commercial banks in the period 2009-2019 is harmful and has an estimated coefficient is -0.5002 with a standard error of 0.1156 ($p = 0.000$). That is, return on total assets (ROA) increases by 1 unit, the capital adequacy ratio (CAR) of commercial banks decreases by 0.5002 units, provided other factors remain unchanged at the level of significance of 1%. Based on the above results, commercial banks should focus on improving financial capacity, focusing on increasing charter capital from issuing shares to foreign investors, financial investors, and investors. In addition, they are implementing other capital-raising measures such as issuing tier-2 bonds, raising the Car from the surplus, issuing additional shares, and increasing the Car from the internal resources of Vietnamese commercial banks.

(2) The research results showed that the impact of bank size (SIZE) on capital adequacy ratio (CAR) of Vietnamese commercial banks in the period 2009-2019 is not positive and has an estimated coefficient of -0.0217 with the standard error is 0.0017 ($p = 0.000$). The bank size (SIZE) increases by 1 unit, the capital adequacy ratio (CAR) of Vietnamese commercial banks decreases by 0.0217 units, provided other factors remain unchanged at the 1% significance level. Based on the above results, banks need to improve and expand banking services to enhance payment deposits. Developing activities to attract capital in the inter-bank market through inter-bank payment services increases the proportion of economic organizations' deposits by improving the service quality. In addition, expand and diversify forms of foreign currency capital mobilization. Besides, commercial banks need to improve profitability and liquidity.

If the liquidity ratio (LIQ) increases by 1 unit, the capital adequacy ratio (CAR) of Vietnamese commercial banks will decrease by 0.0366 units, provided other factors remain constant at the 1% significance level. (3) Research results show that the impact of liquidity (LIQ) on the capital adequacy ratio (CAR) of Vietnamese commercial banks in the period 2009-2019 is not positive and has an estimated coefficient of -0.0366 with the standard error is 0.011 ($p = 0.001$). Based on

the above results, banks need to increase their capital by retaining profits depending on the bank's profit level, which may not be enough to meet the bank's growing prosperity. Therefore, to raise the Car, banks can issue common shares to attract capital from domestic and foreign investors: issue new ordinary shares, convert bonds into common shares.

(4) Research results showed that the impact of Gross Domestic Product (GDP) on capital adequacy ratio (CAR) of Vietnamese commercial banks in the period 2009-2019 is positive and has an estimated coefficient of 0.0027 with a standard error of 0.0010 ($p = 0.008$). When the economic growth rate (GDP) increases by 1 unit, the capital adequacy ratio (CAR) of Vietnamese commercial banks increases by 0.0027 units, provided other factors remain constant at the 1% significance level. Based on the above results, the Government continues to reform key policies: Policies need reform related to many issues, such as infrastructure investment and connectivity promotion; adaptation to climate change; train, and maintain high-quality skilled human resources. Besides, the Government needs to have sanctions to ensure the publicity and transparency of information on production and business activities and the annual financial performance of enterprises. Furthermore, strictly handle reporting and financial information mistakes, specify responsibilities for the bank's head, and improve bank management capacity.

(5) Research results showed that the impact of the consumer price index (CPI) on the capital adequacy ratio (CAR) of Vietnamese commercial banks in the period 2009-2019 is not positive and has an estimated coefficient of -0.000894 with a standard error of 0.000 ($p = 0.000$). When the consumer price index (CPI) increases by 1 unit, the capital adequacy ratio (CAR) of Vietnamese commercial banks decreases by 0.000894 units, provided other factors remain constant at the 1% significance level. Based on the above results, the Government needs to control the spending of the state budget from the central to local level to ensure savings and efficiency in budget spending: review the spending structure, cut the investment is not feasible, and welfare expenditures are beyond the capacity of the economy, renovating the state management apparatus which is cumbersome and ineffective, causing a waste of the state budget. Besides, the State Bank of Vietnam continues to operate a proactive and flexible monetary policy, contributing to controlling inflation, stabilizing the macroeconomy, and supporting and promoting economic growth.

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MECHANISMS FOR PRIVATE SECTOR TO PARTICIPATE IN THE PROVISION OF PUBLIC SERVICES USING THE STATE BUDGET

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Abstract: *In this paper, qualitative research methods are used to analyze and evaluate the application of a mechanism that allows the private sector to provide public services using the state budget in Vietnam. It is found that this mechanism has initially promoted the private sector to participate in public service provision, create competitiveness, improve the service quality and save the state budget. The author recommends some solutions for the private sector to be more involved in public service provision using the state budget, including: (1) propagandize to change the perception of officials and people about the role of the private sector in providing public services; (2) ensure the real equality between public and private service providers; (3) improve transparency and fairness in the selection of service providers; (4) Apply output-based management when contracting with the private sector; (5) Issue guiding documents according to the Decree No. 32/2019/ND-CP.*

Keywords: *mechanism, private sector, public service provision, public services using State budget*

1. INTRODUCTION

Public services are understood as activities that serve people's basic and essential needs and society's common interests and are responsible by the State to society (directly undertake or create mechanisms for the private sector) to ensure efficiency, stability and social justice. Public services are classified by nature of services including 3 types: public administrative services, public non-business services and public utility services. Public administrative services are services related to law enforcement activities, not for profit goal, performed by competent state agencies in the form of issuing documents to organizations and individuals that have legal validity in the fields under the management of that state agency. Public non-business services are understood as activities providing essential social welfare for people including: Education, health care, culture, science, physical training and sports, insurance, social security, etc. Public utility services are activities that provide goods and services of economic nature to meet the essential material needs for daily life of people and communities. It is associated with the provision of basic technical infrastructure, for example, environmental sanitation, waste treatment, water supply and drainage, electricity and lighting, urban traffic, etc. Public non-business service and public utility service are public services that can allow the private sector to participate in the supply with a broader scope.

In order to mobilize the participation of the private sector in providing public services, the

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State has allowed non-public units to establish, to invest in building facilities, and to self-finance their operating expenses as well as comply with the law regulations. Therefore, in recent years, the number of public service providers in private sector has increased rapidly, contributing to ensuring the adequacy, diversity and quality of public services as State's objectives. However, expanding the participation of the private sector in the provision of public services is not only limited to mobilizing financial resources of the private sector to provide public services, but also to create a mechanism for the private sector to participate in the provision of public services using the state budget. Public services funded by the state budget are public non-business services for which the State covers all costs or is supported by the state budget. Allowing the private sector to participate in public service provision using the state budget has the effect of promoting competition, reducing costs and improving service quality. Thus, which mechanism allows non-public establishments to participate in the provision of public services using the state budget in Vietnam? What are the practical implementation problems? What measures need to be taken so that the private sector can really participate more in public service delivery using the budget? This study will answer those questions.

2. LITERATURE REVIEW

Many international studies have mentioned the private participation in public service provision through contracts with the state.

Yolanda K. Kodrzycki (1994) in "Privatization of local Public service: Lessons for New England, New England Economic Review" showed that: in order to bring greater efficiency in the delivery of public services, the UK has taken advantage of private sector to save costs. The government does not directly provide public services, but signs agreements with private providers so that they can take on the responsibility of providing public non-business services. The government needs to choose the type of public service to sign the contract. Through bidding contracts with the private sector, local and state governments in the UK have achieved the goal of saving the state budget and the cost of providing public services while ensuring the quality of the public services. The study also shows that local governments in the UK tend to have non-state entities bid to provide public services to save costs rather than maintain state facilities to provide public services.

Jim McMaster (1999) summarised in the study "Alternative Methods of Service Delivery" that private sector involvement in public service functions can take a wide range of forms: contracting out services to private firms, franchising services to the private sector, the use of grants and vouchers, mobilizing community groups and developing self-service measures as well as the privatization of government enterprises that have provide urban services. Country studies have clearly demonstrated that there is still considerable scope for increasing the amount of contracting-out. The main areas where contracting-out of functions is likely to lead to cost savings include:

(i) Central Government General Support Services: government printing; maintenance of government buildings, public housing, quarters, schools, and hospitals; maintenance of government vehicles, plants, and equipment; office cleaning services; road maintenance

(ii) Minor Construction Works: Alterations and extensions to government buildings; Rural road construction

(iii) Minor civil engineering works: Major Infrastructure Construction; Construction of new roads Bridges, airports, ports, and buildings; Industrial estate construction Rural and urban infrastructure development

For the Local Government, there is scope for the greater use of contracting out public services, especially municipal services in urban areas. The main functions that offer opportunities for further privatization are:

(i) Public works and physical environment: solid waste collection (residential and commercial), and waste water and sewerage treatment

(ii) Transportation: road/street maintenance and repair; maintenance of government vehicles and plants and construction of new urban subdivision

(iii) Parks and recreation/cultural and sporting facilities: maintenance of recreation facilities; operation of sporting complexes and park maintenance

(iv) General municipal services: buildings and ground maintenance; street cleaning and grass cutting; legal services; urban planning services; ambulance services and fire prevention services

The study emphasize that Government authorities which privatize through contracting out their work often need to establish entirely new systems for contract administration, monitoring of contractor performance, selection of contractors and the evaluation of tenders etc. The on-going costs of contract supervision and monitoring can be substantial and needs to be fully accounted for when analyzing the alternative modes of privatization versus direct provision of services by government. The cost involved in survey, investigation and design work, estimates of quantities, specification of precise requirements etc., which are needed for the preparation of many contracts, should not be underestimated. The fast track method of construction of projects further complicates contract administration and if not carefully controlled can lead to substantial cost-overruns on contracted work.

Five forms of privatization are identified by Richard C. Brooks in his paper "Privatization of Government Services: An Overview and Review of the Literature" and Contracting Out is one of which. Contracting out is the production of designated services by a private firm under a contract. Under this scenario, the private sector firm is paid directly by the government for their services. This type of arrangement is commonly used for the collection and disposal of solid waste. Other types of services that have been privatized through this type of agreement include security services, data processing services, and consulting services for numerous professions

Richard C. Brooks (2004) in his study "Privatization of Government Services: An Overview and Review of the Literature" mentioned 5 ways in which the private sector can participate in public service delivery, including the form of signing contracts with Government, the production of specified services by a private company under a contract, and the direct payment to private enterprise from government for their services provided. This type of arrangement is commonly used for solid waste collection and treatment. Other types of services that have been privatized through this type of agreement include security services, data processing services, and consulting services for a variety of industries.

G. Bel and X. Fageda (2007) in the study "Why do local governments privatize public services?" also mentioned the creation of marketable competition mechanism for public services. The Government can organize tenders to invite private enterprises to provide public non-business services, thereby reducing the cost of services and improving the efficiency of the supply compared to the provision of public services by state itself. However, the problem is that when costs are reduced, the quality of services can also decrease.

National researchers mainly focus on how to mobilize financial resources of the private sector to provide services, such as Le Chi Mai (2004) in "Public Service Management", Dinh Van An , Hoang Thu Ha (2006) with "Renovation of public service delivery in Vietnam". Dinh Van An, Hoang Thu Ha (2006) have proposed a solution for the private sector to participate in public services using the state budget, that is: "The state signs contracts with non-public entities to provide a type of public service. Non-public entities which have their own assets and capital sources organize the provision of public services under contracts with the State, clearly defining the responsibilities and interests of the two parties.

The VCCI report (2020) "The role of private enterprises in providing public services in Viet Nam: Conformity Assessment Service" explores the process of private sector participation in public service delivery through the service case "Conformity assessment". Although the assessment of participation was provided in only one service , certain information on the role of the private sector in public service delivery was pointed out: its role was necessary while its participation is challenging.

Therefore, many national and international studies have shown that the private sector can participate in public service provision through contracting with the state. This creates a competitive mechanism in the provision of public services using the state budget. The state can use competition among service providers to get the most effective service provider. Competition will reduce costs and improve service quality. It is competition that forces public service providers to continuously innovate themselves and that benefits both the people, the state and service providers.

However, the above researchers have not clarified how this contract can be implemented in Vietnam. The researchers just concentrated on recommending that the state should contract with the private sector to provide public services, but did not mention the activities that should be implemented for signing the contract and practical application in Vietnam. This study is expected to provide information on the mechanism currently applied for the private sector to participate in the provision of public services using the state budget in Vietnam, point out problems and propose solutions so that the private sector can truly participate equally in the provision of public non-business services using the state budget.

3. METHODOLOGY

To achieve the above goals, this study uses qualitative research methods to analyze and synthesize theories and previous studies of the mechanism that allows the private sector to provide public services using the state budget. The author analyzes and evaluates the implementation of the bidding and ordering mechanism in Vietnam in order to determine the achieved results, the obstacles on the mechanism, on that basis to form a scientific basis for proposing solutions to ensure the better participation of the private sector in public service delivery using the state budget.

Method of information collection: secondary data are collected from the State's legal documents, reports and research papers related to the application of bidding and ordering mechanism to provide public services.

4. RESEARCH FINDINGS

4.1. The mechanism for the private sector to participate in the provision of public services using the state budget in Vietnam.

The role of non-public organizations in providing public services has also been mentioned in many legal documents of the Party and the State.

Resolution No. 90/CP on August 21, 1997 issued by the Government on the orientation and policy of socializing educational, medical and cultural activities clearly states that: "Besides strengthening the Government's organizations, it is necessary to widely develop forms of activities conducted by collectives or individuals within the framework of the Party's policies and the State's laws". Decree No. 73/1999/ND-CP dated August 19, 1999 of the Government on policies to encourage socialization of activities in the fields of health, education, culture and sports also affirms that "Along with the consolidation of public organizations, the State encourages the widespread development of non-public entities in accordance with the State's planning in the fields of education, health care, culture and sports, operating not for the purpose of commercialization" (Article 2). Resolution No. 05/2005/NQ-CP dated April 18, 2005 of the Government on promoting the socialization of educational, medical, cultural and sports activities also clearly stipulates at Point 4, Section II.: To strongly develop non-public entities with two types: people-founded and private. Ownership of non-public entities is determined according to the Civil Code.

Decree 53/2006/ND-CP on policies encouraging the development of non-public service providers (replacing Decree 73/1999/ND-CP) clearly defines "Non-public entities are units established and invested in physical facilities by social organizations, socio-professional organizations, economic organizations, individuals, groups of individuals or communities and self-financed their operating expenses by capital outside the state budget and operated in accordance with the provisions of law. Non-public entities are established in accordance with the law and have legal status, independent accounting, their own seals and accounts". The state also shows its concern to the participation of the private sector in the provision of public services. Decree 53/2006/ND-CP on policies encouraging the development of non-public service providers also states that "The State and society pay attention to products and services of a non-public unit as equally as one from a public unit".

The state also clearly stipulates how non-public entities can participate in public service provision using the budget in many documents including: Decree 53/2006/ND-CP, Decree 69/2008/ND-CP, Decree 53/2006/ND-CP, Decree 69/2008/ND-CP. All these decrees stipulate that non-public entities may participate in public services funded and ordered by the State; participate in bidding to receive contracts and projects using domestic and foreign capital in accordance with their functions and operational tasks as prescribed by law.

Decree 31/2005/ND-CP dated 11/3/2005 and Decree 130/2013/ND-CP (replacing Decree 31/2005/ND-CP) on producing and supplying public products and services allows businesses of all economic sectors and cooperatives to participate in the production and supply of public products and services. Accordingly, enterprises of all economic sectors and cooperatives engaged in the production and supply of public products and services are "paid by the State at prices or fees already approved by legal state agencies." and "supported favorable conditions for the production and supply of public products and services in accordance with the State's regulations". The Decree also stipulates the types of public services that businesses of all economic sectors and cooperatives can provide in the form of bidding and ordering including: management and operation of the system of small and medium-scale irrigation works; public transport services by bus in urban areas; public service: public environmental sanitation; park management; planting and taking care of trees, ornamental flowers on sidewalks, streets, medians, roundabouts; cemetery management, cremation; producing feature films ordered or funded by the state; management and maintenance of the road system; management and maintenance of important ferry terminals and bus stations; transport and supply essential goods and services to serve people in mountainous and remote areas, etc.

Regarding public administrative services, on August 14th, 2008, the Prime Minister issued Decision 39/2008/QD-TTg on the Regulation of bidding, ordering and assigning tasks to provide public administrative services using State budget. This decision promulgates a list of 20 public non-business services performed in the form of bidding, ordering and allows domestic and foreign organizations having legal status and individuals practicing independently to participate in bidding or ordering public non-business services as long as they have conditions and functions to provide non-business services in accordance with the State's requirements.

In order to unify the management of the provision of public services, on April 10th 2019, the Government issued Decree 32/2019/ND-CP regulating the assignment of tasks, ordering or bidding the supply of public product or services using the state budget from recurrent expenditures, replacing Decision 39/2008/QD-TTg and Decree 130/2013/ND-CP. Decree 32/2019/ND-CP stipulates in a comprehensive and uniform manner on issues related to the provision of public products and services (including public non-business services and public services), creating public fairness and transparency in the provision of public products and services using the state budget and competition in improving the quality and lowering the cost of public products and services. Decree No. 32/2019/ND-CP specifically stipulates funding sources for the provision of public products and services; the list of public products and services; the methods of assigning tasks, placing orders, bidding for the provision of public products and services, and the authority to decide on these methods; at the same time, clearly stipulate the conditions and contents of task assignment, bidding, ordering and the basis for implementation, as well as the responsibilities of superior management agencies in assigning tasks, placing orders, bidding, etc. In particular, many public services used to categorize into the group of ordering and assigning tasks now have been transferred to implementation by bidding method, which is convenient for non-public entities to participate.

4.2. Achievements of implementing the mechanism

The implementation of the mechanism of ordering and bidding for the provision of public administrative services and public services has been organized strictly by many ministries,

branches and localities. Up to now, many local governments have issued documents on guiding practical implementation. Ministries, Provincial People's Committees and cities have instructed their subordinated units to implement specific tasks, strengthened dissemination and propaganda, and requested advisory agencies to submit the list for Public services using the state budget and economic and technical norms as a basis for determining public service prices using the state budget.

Currently, Vietnam's public services are mainly water supply and drainage, public transport in urban areas, lighting, park management services, planting and taking care of trees, etc. In fact, the annual budget expenditure for this activity is quite high (for example, in Hanoi, this spending for the years 2014, 2015 and 2016 is VND 2,950 billion, VND 3,314 billion and VND 4,529 billion, respectively). The mechanism of ordering and bidding for public services using the state budget has gradually enhanced its effectiveness. Localities have allowed non-public entities to participate in the provision. For example, in Hanoi city, in the field of wastewater treatment, the contract rate for bidding - open to the private sector to participate increased from 0% in previous years to 18.4% in the past year 2015. Allowing private sector units to participate in the provision in a number of fields and locations has been carried out well, bringing positive effects both in terms of product and service quality and cost savings. For example, "Van Ninh district (Khanh Hoa) has confirmed to save up to 60% of costs by bidding for public services in the district. Meanwhile, in some other localities such as Binh Tan, the total contract value compared to the package value decreased by 48%; at Tan Phu, the total contract value compared to the package value decreased by 11%"¹. For example, the cost of lawn mowing in Hanoi decreased from VND 700 billion or VND 886 billion to only VND 178 billion per year after changing the mechanism², which shows how effective it is. Public services funded by the state budget are services that attract many non-public units to participate in providing them.

Regarding public non-business services using the state budget, the participation of non-public entities in a number of fields such as health, culture, science and technology, vocational training are boosted thanks to innovation in resource allocation towards ordering and bidding implementation of tasks, output-based support, support for service users, etc. In general, in the fields where ministries and sectors have issued the List of public non-business services using the state budget and economic and technical norms as a basis for determining service prices, it is possible to place orders goods, bidding for services, whereby the private sector can participate.

In the field of cultural information and television broadcasting, public non-business services funded by the state budget have also been carried out in the form of bidding and ordering (such as provision, development and maintenance television applications on the internet platform, Film production using the state budget, etc.). Some fields of journalism which have had economic-technical norms, unit prices (i.e. television broadcasting), and cost norms (i.e. royalties) have applied the ordering method (this method is mainly for programs and projects on information and communication approved by competent authorities). In the medical field, private hospitals and clinics have involved in medical examination and treatment services under health insurance. Other

1 CIEM (2017), "Mechanism and policy for public service provision in Vietnamese cities", workshop documents.

2 Available at <https://tienphong.vn/ha-noi-giam-hon-700-ty-dong-chi-phi-cat-co-tia-cay-post904087.tpo>

services in the hospital including patient transport services, canteens, laundry, burial services, body preservation, etc., with the participation of the private sector have played an important role in the provision of services to patients and their families. In the field of education, on-demand training and retraining services for civil servants have attracted training service providers to participate and create vigorous competition with public training institutions. Recently, the government has issued Decree No. 116/2020/ND-CP on training teachers at the request of local needs. Accordingly, the People's Committees of provinces and cities determine the demand for new teachers, estimate budget and allocate funds, assign training tasks to affiliated training institutions (if any), order (or bid for) teacher training with other teacher training institutions to meet local demand for teachers. This drives up more involvement of the private sector in the educational service sector.

Over the past few years, the system of non-public providers of public service has grown to meet a significant part of society's needs in the fields of education, health, culture and physical training, sports and fitness, etc., which creates jobs for thousands of people, reduces the burden on the public facility system, and give users the right to choose services that suit their budget and needs. Non-public entities participate mainly in the form of their own capital for establishment and operate and collect fees and other revenues to survive. The presence of non-public entities has created competitive pressure, forcing public agencies to improve service quality and better serve for people and businesses. Moreover, the bidding and ordering mechanism also helps the state save budget.

4.3. The major obstacles on the mechanism

However, the implementation of Decree No. 32/2019/ND-CP in practice has existed a number of difficulties and obstacles.

In the localities, most public services are still being ordered as planned from state-owned enterprises or equitized state-owned enterprises, but not yet accessed to non-state enterprises through the auction method. If there is a tender, the winning bidder is usually state-owned enterprises.

It is difficult for non-public entities to participate in the provision of public services because state management agencies always find businesses ineligible to participate in bidding. Most localities are accustomed to the principle of prioritizing state-owned enterprises or equitized state-owned enterprises. As in Hanoi, almost all of the public service works (environmental sanitation, lighting, drainage, wastewater treatment, etc) are still carried out in the form of orders, accounting for 96. 2% of total costs in 2015. The similar situation is found not only in Hanoi city but also in almost other localities in Vietnam. In Da Nang city and in Bac Ninh province, according to a study by the Central Institute for Economic Management (CIEM), appropriate 100% of the cost using public services is conducted in the form of bookings, not through open bidding and hardly any private enterprises can take part in. The bigger the demand for public spending on public services is, the more essential the need for cost savings is. Nevertheless, the proportion of the service value that are competitively tendered in Hanoi, Ho Chi Minh City and big cities is still too small, mainly under the order-by-order mechanism, which is contractor appointment in nature.

It is difficult for non-public institutions to engage in public non-business services. The

public non-business units accounts for most allocation of funds from the state budget meanwhile there is no financial support mechanism for service users at non-public units (except for health insurance payment system). Public non-business services are still mainly performed in the form of budget estimation or task assignment. The State's ordering mechanism has not been applied widely and consistently. Some fields of order fulfillment, such as vocational training, are limited to a number of programs and projects, thus the "fairness" between public and non-public entities is not guaranteed. This is also an area assessed by the 12th Party Congress as "... management and administration have not fully complied with the rules of the market economy, especially in resource allocation, goods and service management, essential public services and have not yet ensured equal competition".

This above situation is caused by the following reasons:

The primary cause of the above limitations is that the concept of attracting the private sector to provide public services of all levels, sectors and society is not completed and comprehensive. That's why financial contribution is only focused on private sector in case the State's finance and budget are in difficulty. The monopoly mindset in public service provision exists for too long, while the work of grasping and propagating about the goals and the need for socialization has not been paid enough attention, hence it is not familiar with the participation of private sector in the provision of public services using the state budget. For ages, providing public services has been considered the duty of state organizations by default. Despite the great potential, private businesses when entering this field face many difficulties and obstacles, not only from the legal framework but also from skepticism, concerns, habits and interests constraints. Many governments and management levels invoke conditions to not conduct bidding or placing orders, protect the interests of public entities under their management, and create advantages for these units in providing public services.

On the other hand, many private units are not eligible for receiving the best service provision, especially in socio-economically disadvantaged areas. The method of ordering and bidding can only be applied in areas where there are eligible units, organizations and enterprises, mainly those with social economic developed conditions. In disadvantaged localities, system of non-public units that can provide similar public products and services haven't existed yet, or have but is limited in production and business capacity, financial potential, professional qualifications, etc. If management and technology do not meet the requirements, the participation of the private sector is infeasible. Non-public institutions are underdeveloped for many reasons, among which the lack of conditions to keep pace with the public sector is primary reason. The policy of non-discrimination in the provision of public services is clear, however, there is a lack of conditions for implementation and monitoring mechanism. The tax incentive policy has preferences in the form of ownership, giving priority to public non-business units over non-public non-business units instead of giving priority to efficiency of public service provision in tax-preferential policies. Public entities, in addition to their inherent advantages (time and experience in public service provision, support from management, ect) have benefited a lot of incentives in tax and credit policies of government to access capital and develop services.

For public non-business services, the competent authorities are slow to issue guiding documents. Decree 32 so far has not had a specific implementation circular, making it difficult

to apply for ministries, sectors and localities. Many ministries and branches have not yet issued a list of public non-business services using the budget of the ministry or field. Currently, only the list of public non-business services using the state budget in the fields of Information and Communication, Education and Training, and Health have been issued. In order to be able to place an order or assign a task, it is necessary to have a service/product unit price based on economic-technical norms and product cost norms, however, very few ministries have issued technical and economic norms and guidelines for setting service prices. So far, only the Ministry of Information and Communications, the Ministry of Education and Training, and the Ministry of Health have promulgated, and therefore the participation of the private sector in public service provision using the budget is limited to these areas.

5. RECOMMENDATIONS

According to E.X. Xavat, a leading American expert on competition in public services, the most obvious advantage of competition is its greater return on capital. Thus, in order to promote competition and increase the efficiency of the budget currency, the state needs to create a fair-play field for all entities capable of providing public services using the state budget. In order to have more involvement of private sector in the provision of public services using the state budget, the following solutions should be implemented:

Firstly, extensive propaganda is needed to raise awareness of all governmental level and people about the participation of the private sector in public service delivery. Only when mobilizing the private sector includes not only a matter of exploiting and mobilizing financial resources of the private sector to provide public services but also mobilizing capacity, intelligence, management level, etc of non-public units in providing public services, competition and cost reduction for the state can be enhanced.

Secondly, it is essential to ensure true equality between public and private service providers in public service provision. Budget allocation for public service provision should be renovated strongly by shifting from the allocation of recurrent expenditure estimates and directly supporting recurrent operating expenses for public non-business units as at present into implementing the method of ordering and bidding for public service provision in accordance with Decree 32. Therefore, the budget resources can be allocated to public services providers effectively in a public and transparent manner without differentiating public and non-public entities. When providing preferential conditions in the provision of public services, the efficiency of public service delivery, in stead of ownership form, is set as the criterion for setting the priority level, conditions and time in tax incentives and access to credit, etc.

Thirdly, it is necessary to improve transparency and fairness in selecting service providers. Without transparency, private businesses will not be able to enter. It is recommended to strengthen the application of contractor selection in the form of open bidding instead of placing orders to increase competitiveness and transparency in the process of selecting suppliers. Since private sector participate in public services, the contractor selection process must be public and transparent. When bidding, state-owned enterprises no longer have the monopoly position in providing public

services as they used to. Moreover, when signing a contract with the private sector, the supplier has to strengthen its responsibility for the assigned task on the basis of tight constraints of the contract (stipulation on penalties for violations is usually very clear).

Fourthly, the application of output-based management is supposed to strengthen when signing contracts with the private sector. Economic-technical norms and service prices are the basis for placing bidding orders. Once the contract is signed, it is necessary to empower the provider with the initiative, and the state only controls the quality of the service. At the moment, in signing and managing contracts with private suppliers, many state agencies apply the traditional management method according to economic and technical norms and in accordance with approved estimates. In fact, there are many out-of-date regulations on economic and technical norms compared to the current modern production level. Therefore, management according to process norms will destroy the innovation and creativity of enterprises. If the enterprise does otherwise even with better quality and technology, it will not be paid because of different process and not in accordance with the approved economic and technical norms. Therefore, it is advisable to focus on service quality control rather than norm and process control.

Fifthly, ministries and state management agencies in various sectors and fields need to urgently promulgate fully, systematically and consistently guiding documents for the implementation of Decree No. 32/2019/ND-CP; urgently promulgate a list of public non-business services using the budgets of sectors and fields; guide the formulation of economic-technical norms, cost norms of public products and services in each field as a basis for promulgating price list and prices of public products and services. There must be price list of products and services, thus bidding and ordering of public non-business and public services can be conducted, and non-public entities can participate in the provision of services.

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THE INTERACTION OF GOVERNMENT AND PRIVATE SECTOR IN THE TIMES OF COVID-19 PANDEMIC

PhD. Bui Thi Thuy Nhi¹

Abstract: *The economic effects of the COVID-19 pandemic — at the global, country, and household levels — are dramatic, plunging the world into a recession not experienced in more than a half century. Unlike other recent global crises, such as the financial crisis (2008), the pandemic has affected businesses across all industries and sectors, from agriculture to manufacturing to tourism, services, and mining. At the same time, it is spurring new innovations in response to public health needs and technological advances. This paper uses data from the COVID-19 policy response to examine trends in how government COVID-19 response policies have hindered or promoted the private sector, as well as the private sector's role in combatting the pandemic. Comparing these policies and responses can provide useful insights into best practices for balancing the twin goals of economic and public health during a crisis.*

Key words: *Government policy, private sector, private businesses, economic development, Covid-19 pandemic, private sector role...*

1. INTRODUCTION

The COVID-19 pandemic is having a significant negative impact on the private sector in world-wide economies. Private businesses are among the most severely affected. The pandemic has evolved rapidly from a health emergency to a global economic crisis, spreading through the real sector and posing financial sector instability. Around 436 million enterprises worldwide (47 million employers and 389 million own-account workers) face the risk of severe disruption in the hardest-hit sectors, namely manufacturing, wholesale and retail trade, accommodation and food services, and real estate and business activities... Governments' policies to protect people and communities has put severely-hit impacts on businesses such as social distancing, travel restrictions, production control... In contrast, as countries seek to address the socio-economic consequences of the crisis, the private sector recovery have been prioritized by a series of economic stimulus packages.

2. PROTECTING THE POPULATION AT THE COST OF THE PRIVATE SECTOR

To combat the spread of COVID-19, many countries instituted “lockdown policies” in which non-essential businesses had to temporarily close and the population was required to remain at home except for essential reasons. Following an initial four- to eight-week lockdown period, many countries took a gradual approach to reopening of non-essential private sector activities. While often credited with successfully curbing significant community spread of COVID-19 in many

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countries, these policies have severely and negatively impacted many businesses, forcing them to close down completely or to lay off staff.

Additionally, to promote people's welfare, governments established many commodity-price controls because of fears that businesses would engage in price gouging for essential items. Governments chose to regulate a range of food and non-food products, which is not clear how price ceilings were determined, or if they involved any dialogue with businesses that produce these products.

In addition to government-imposed price ceilings, government-mandated protections for employees may have had harmful effects on private businesses even as they cushioned the livelihoods of workers. In many countries (India, Sri Lanka), certain companies were required to continue paying wages regardless of a worker's ability to perform his or her duties due to COVID-19, and regardless of whether the company was able to operate during the lockdown. Similarly, in other countries (Ethiopia, Mozambique, Senegal..), businesses were not allowed to lay off employees regardless of a company's ability to operate.

3. TRADE POLICY PRIORITIZE PROTECTING DOMESTIC BUSINESSES AND THE LOCAL POPULATION

The main trade policy trends suggest that during the pandemic, governments have sought to benefit domestic businesses and the local economy by promoting the export of specific products, while also ensuring the health and safety of their citizens by waiving certain import taxes and banning the export of essential items. Policies to promote local economies mainly focus on high-value exports: for example, Ethiopia removed the minimum price for flower exports, Uzbekistan is providing a transportation subsidy for exporting horticultural products, textiles, and other products, and Zambia suspended the export duties on crocodile skins and precious metals. In Bangladesh, the government waived the import tax on aquaculture and livestock feeds to support the agricultural sector.

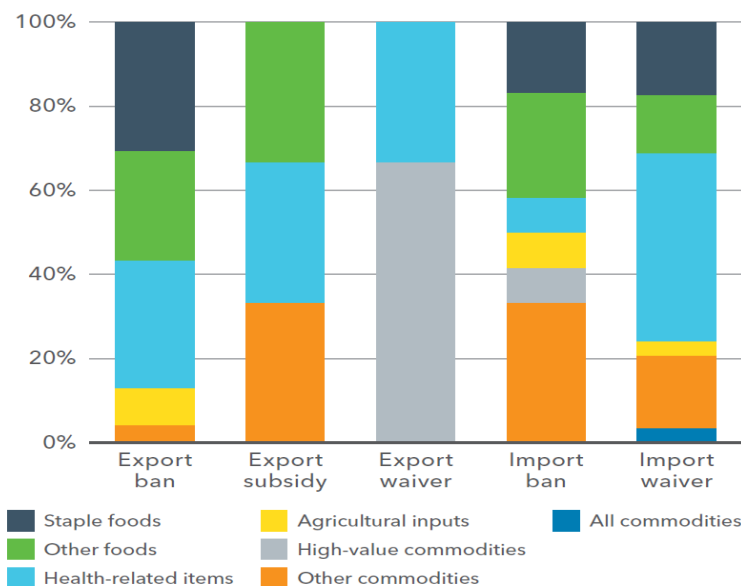


Figure 1: Commodities impacted by COVID-19 related trade policies, by policy type

Source: International Policy Research Institute, United States (2020)

However, most of the COVID-19-related trade policies aim to ensure the health and food security of the population, and ultimately may have mixed effects on local economies. Many countries waived or reduced import taxes on health supplies, staple foods, and other essential goods. Some governments further promoted imports of these items through additional policies. For example, the government was collecting bids from international companies to import large amounts of rice, sugar, and edible oils tax free; suspended the rent charges for cargo during the lockdown; increased the storage available at border points for imports of essential items; relaxed the licensing requirements for imports of medical supplies. Finally, to ensure enough essential food and medical items for the population, most countries also enacted export bans on such items. Many countries had banned export of certain health products; and export of numerous food items to promote food and nutrition security.

4. IMPROVING THE RESILIENCE OF THE PRIVATE OF THE PRIVATE SECTOR

At the same time, nearly every country in the world also enacted policies to help failing private businesses survive and to avoid mass unemployment. The vast majority of countries created programs to provide funds directly to businesses — most of these programs focused specifically on small and medium enterprises (SMEs), often with a secondary focus as well, such as tourism and hospitality, microfinance, exports, and essential items. When comparing the funding commitments by governments for private sector promotion, these funds, which are disbursed either through grants or loans, enjoyed significantly higher commitments than the other policy levers.

Most countries also took measures to waive, reduce, or defer tax and loan payments in order to boost the profitability of businesses. Policies to waive value-added taxes (VAT) were the most common. Some governments passed policies aimed at encouraging banks to expand credit access to the private sector by increasing credit limits, guaranteeing loans, and setting a lower interest rate. Governments also supported workers through wage support, subsidized wages to keep workers employed and earning a decent wage.

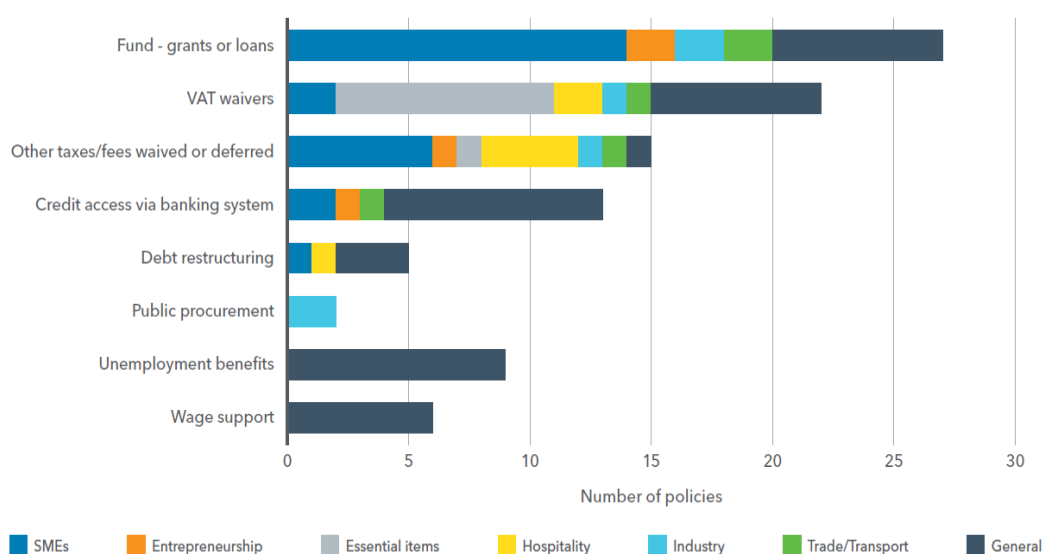


Figure 2: Number of government policies to promote the private sector, by policy type and target sector

Source: International Policy Research Institute, United States (2020)

Many governments sought to stimulate the private sector and keep the economy running by harnessing technological solutions that reduce the need for face-to-face interactions. A key trend evident was that nearly all of the countries eliminated or reduced fees for information and communications technologies (ICT). Additional ICT innovations included the development of e-commerce platforms for easier provision of goods. It later expanded this marketplace to include many other essential items so that people could reduce their potential exposure to COVID-19 and private businesses could continue to operate.

5. PRIVATE SECTOR CONTRIBUTIONS TO THE FIGHT AGAINST COVID-19

Business leaders know that adaptability is crucial to profitability, and the COVID-19 pandemic is no exception. Many companies quickly shifted their local production to items necessary to prevent and treat COVID-19, sometimes with support from government incentives. Masks are one of the most common items being produced locally in many countries, with some companies even leading coalitions and campaigns initiated by local garment manufacturers, which seeks to provide free facemasks to vulnerable families countrywide. Some businesses switched their production to other types of personal protective equipment and related items, such as new hand-sanitizer factories and the many local factories producing surgical scrubs and gowns. Many countries are even promoting local production of ventilators.

On top of selling local products to governments or consumers, many international and local private businesses are also making monetary and in-kind donations to governments or local communities. A large range of international companies have donated financially or in-kind to many of developing countries in the world. Among local businesses, personal protection equipments such as suits, gloves, masks, thermometers, and disinfectant gel) and medical supplies are some of the most common donations. Other companies took a different approach, which reduced fees for certain products to benefit consumers, and MTN, which repurposed its advertising budget across all of the countries where it operates for the month of September to launch the "Wear It For Me" campaign on COVID-19 prevention strategies.

6. CONCLUSION

As governments around the world seek to balance economic and public health, they have pursued a complex mix of policies to balance the needs of businesses and consumers. Some of these policies benefit the private sector, such as SME funds, subsidized wage payments, and export promotion. But other policies focus more on supporting employees and consumers, potentially at the cost of businesses, such as price controls, import bans, and prohibiting employee layoffs... Despite difficult economic conditions, some companies were able to quickly adapt and also embraced social responsibility to contribute to the fight against COVID-19. Many smaller, more local businesses shifted their production when possible to the manufacturing of health supplies and personal protection equipments, while larger companies such as banks, telecommunications, and extractive industries contributed by donating health supplies or launching health campaigns. In these ways, private sector are realizing broader goals in addition to profit maximization by playing a transformative role in the local community and encouraging certain citizen attitudes and behaviors, including following science-based health guidelines. While the lockdowns that hurt the

economies and prompted these policy responses are credited with saving many lives and avoiding overwhelmed health systems, the economic effects of the lockdowns and subsequent private sector policies will continue for years to come.

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IDENTIFY AND REMOVE BARRIERS FOR PRIVATE SECTOR TO BECOME AN IMPORTANT DRIVING FORCE OF VIETNAM'S ECONOMY

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Abstract: *In Vietnam, the private sector has been considered as “an important driver of the economy”. The private sector has made remarkable achievements, but currently this private sector is facing many barriers. Therefore, in order to the private sector to become “an important driving force of the economy”, identifying and removing barriers is an urgent issue that private and state economic actors need to solve.*

Keywords: *private sector, socialist oriented market economy*

1. INTRODUCE

The 12th National Congress of the Communist Party of Vietnam in 2016 stated: “Complete mechanisms and policies to facilitate strong development of the private sector in most economic sectors and fields, become an important engine of the economy. Completing policies to support the development of small and medium-sized enterprises and start-ups. To encourage the formation of multi-owned private economic groups and the private sector to contribute capital to state-owned economic groups, the private economy is an important driving force of the economy.” The document of the XIII Congress of the Communist Party of Vietnam in 2021 states: “Eliminating all barriers and prejudices, creating all favorable conditions for the development of the private sector; support the private sector to innovate, modernize technology and develop human resources, improve labor productivity. To encourage the formation and development of large private sector groups with strong potential and regional and international competitiveness. Striving to 2030, there are at least 2 million enterprises with the proportion of the private sector’s contribution to GDP reaching 60% - 65%².

Thus, the perception of the Communist Party of Vietnam on the private sector has become clearer - considering the private sector as “an important driving force of the economy”. However, there are always gaps and barriers from awareness to practice, so for the private sector to be truly “an important driving force of the economy”, identifying and removing barriers is imperative today.

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² Document of the 13th National Congress of Deputies, t. I, The Truth National Political Publishing House, Hanoi, p. 240

2. CONTENT

2.1. Private sector in Vietnam: status and development perspective

The change in the Party's mindset regarding the private sector as "an important driving force of the economy" shows that the Party and State of Vietnam have issued many policies to promote the development of private enterprises, especially Resolution No. 10-NQ/TW dated June 3, 2017 of the 5th Conference of the Party Central Committee (Term XII) on private sector development becoming an important driving force of the economy. socialist-oriented market economy.

The National Assembly passed many bills to support businesses, especially the Law on Supporting Small and Medium Enterprises. The Government has issued many resolutions to improve the business investment environment, enhance the competitiveness of enterprises, and abolish many business conditions, thereby, improving the ranking of Vietnam's business environment

As a result, as of June 2019, the whole country has over 730,000 enterprises in operation, over 100,000 newly established enterprises each year; in which more than 96% are small and medium enterprises; millions of individual business households; making important contributions to labor attraction and economic growth in industries and fields. Private enterprises develop in almost all industries, fields and regions with a rapidly increasing number, creating a solid basis for successful implementation of the goal of having at least 1 million enterprises by 2020; by 2025 there will be more than 1.5 million enterprises and by 2030, there will be at least 2 million enterprises.

Table 1: Situation of enterprises returning to operation by territory

Order	Territory	First 3 months of 2017	First 3 months of 2018	The first 3 months of 2018 compared to the same period (%)
Total		9,271	8,449	-3.9
1	Red River Delta	2,055	2,230	-16
2	Northern Midlands and Mountains	442	430	-2.7
3	North Central Coast and Central Coast	1,671	1,575	-5.7
4	Central Highlands	292	323	10.6
5	Southeast	3,443	3,235	-6
6	Mekong Delta	768	656	-14.6

Source: Business Registration Administration

According to the General Statistics Office in 2016, the private sector has about 500,000 enterprises, accounting for nearly 90% of the number of enterprises in the country. In the period 2006-2015, compared to the state economic sector and the foreign investment sector (FDI), the private sector contributed more than 40% of the country's GDP, 30% of the total value of the economy industrial output, nearly 80% of total retail sales of goods and services, 64% of total goods and 100% of the value of transported goods. In the future, the private sector will continue to contribute about 30% of the national budget and about 40% of GDP.

In particular, the private sector attracts about 51% of the country's labor force and creates about 1.2 million jobs each year, making an important contribution to the economic restructuring process, increase income for people, create new jobs for those who have reduced payroll or lost their jobs due to the process of streamlining the administrative apparatus, equitization of state-owned enterprises or labor migration from rural areas.

The level of income for workers in private enterprises has improved significantly. On average, the average annual income of employees in 2005 was about 25.4 million VND/person, increased 1.66 times to 42.3 million VND/person in 2014. In terms of capital structure, In terms of social investment, private capital not only occupies the second position among the three regions, but also tends to increase slightly from 22% in 2000 to 38.4% in 2014, while the FDI sector decreased strongly from the peak of 30.9% in 2008 to 21.7% in 2014 and the state economic sector decreased from 47% in 2006 to about 40% in 2014. Even in difficult economic periods (2008-2009) and (2011-2013), the private investment capital still increased, showing the stability and sustainability of this sector.

After 2 years of implementing Resolution No. 10-NQ/TW dated June 3, 2017 of the 5th Conference of the 12th Party Central Committee, term XII (2017), the private sector has made a new development in both quantity and quality, make increasing contributions to the development of the economy and society. Accordingly, the number of private enterprises increased sharply from 655,000 in 2017 to 730,000 in 2018 and reached more than 743,000 enterprises by the end of the first quarter of 2019. The scale of many enterprises is expanding, some enterprises have total assets of hundreds of thousands of billion dong and employ tens of thousands of employees. The private sector currently accounts for about 40% of the country's GDP¹.

Thus, the above statistics are quite clear evidence proving the important and indispensable role of the private economy in the socialist-oriented market economy in Vietnam today.

Aware of the important role of the private sector, at the 12th Congress, the Communist Party stated that "create all favorable conditions for the strong development of private enterprises to create motivation to improve the competitiveness of the economy." At the XIII Congress, the Document clearly states, "To perfect mechanisms and policies to promote the development of the private economy, considering the private economy as one of the important driving forces of the economy. Developing strong Vietnamese private enterprises". However, in the fact that, despite its strong growth, in general, it can be seen that the private sector has many limitations and weaknesses: The growth rate tends to decrease in recent years; The starting point of development and internal capacity are generally low, mainly household and individual economy. The majority of private enterprises are small-scale (97% of private enterprises are small and medium-sized enterprises), of which about 70% of registered enterprises have a size of less than 10 employees and a registered capital of less than 5 billion VND; low technology level and slow innovation; management level, financial capacity, labor productivity, business efficiency, product quality and competitiveness are still weak; mainly participate in the low value-added market segment; ability

¹ Pham Duong: The private economy is an important driver, <https://baomoi.com/kinh-te-tu-nhan-la-dong-luc-quan-trong/c/30554119.epi>

to link with other economic sectors and participate in domestic, regional and global production value chains is still limited.

In fact, many private enterprises operate unstable, unsustainably, even suffer losses, dissolve, go bankrupt... Status of law violations, commercial fraud, tax evasion, tax debt, etc. Unfair competition, causing environmental pollution, not ensuring food hygiene and safety, not paying attention to ensuring the interests of employees, complicated developments, in some places, sometimes very serious.

From the above situation and through the assessment of the results after 15 years of implementing the Resolution of the 5th Central Committee of the IX term on continuing to renovate mechanisms and policies, encouraging and facilitating the development of the private sector, at the Central Conference on The 5th Central Committee (Term XII) of the Communist Party of Vietnam has clearly defined the view of private sector development with the following basic contents:

First, the private sector is an important driver for economic development. To encourage and create favorable conditions for the private sector to develop quickly, sustainably, and diversify with high growth rates in terms of quantity, size, quality and contribution to GDP.

Second, remove all barriers and prejudices, create all favorable conditions for healthy and oriented private economic development.

Third, the private sector is developed in all sectors and fields that are not prohibited by law. Promoting the start-up and innovation movement; improve the operational efficiency of small and medium enterprises...

Fourth, encourage the formation of multi-owned and private economic groups that contribute capital to state-owned economic groups, capable of participating in regional and global production networks and value chains.

Fifth, to encourage the private economy to contribute capital, buy shares, etc. to develop all forms of linkages in production, business, and supply of goods and services along production networks and market value chains between businesses. private sector with the state economy, collective economy and foreign-invested enterprises in order to receive, transfer, create a widespread spread of advanced technology and modern governance, raise the value of added value and expand the consumption market.

Sixth, to develop a team of Vietnamese entrepreneurs who are increasingly strong, have a sense of law observance, social responsibility and high leadership and management skills; focus on building corporate culture and business ethics.

2.2. Identify barriers to the private sector today

According to statistics of the Ministry of Planning and Investment, in the first 3 months of 2018, the whole country had 12,222 enterprises registered to suspend business for a definite time, up 22.9% over the same period in 2017; there were 8,115 enterprises temporarily suspended operations without registration or waiting for dissolution, down 24.1% over the same period last year. Notably, the number of enterprises that completed dissolution procedures in the first 3 months of 2018 of the whole country was 3,321 enterprises, an increase of 1.6% over the same period in 2017.

Table 2: Number of enterprises temporarily shutting down by capital size (enterprise)

Order	Capital scale	First 3 months of 2017	First 3 months of 2018	The first 3 months of 2018 compared to the same period (%)
Total		10,594	8,115	-24.1
1	0-10 billion VND	9,775	7,352	-24.7
2	10-20 billion VND	408	7,352	-14
3	20-50 billion VND	287	212	-25.1
4	50-100 billion VND	126	114	-9.5
5	Over 100 billion VND	98	76	-22,4

Source: Business Registration Administration

It can be seen that the general picture of Vietnam's private sector is not as bright as the role it is being established, and the "priorities" for this economic sector may not be really promoted. the set targets... So the question is, what are the obstacles this economic sector is facing? Why have the "priorities" for this economic sector not worked? etc...

With the above approach, there have been many explanations, either because the economic sector itself has internal problems (such as the assessment of the current situation mentioned above) or because the guidelines and policies are not realistic, or there is no uniformity and smoothness from policy to implementation... Each point of view is reasonable, but if the approach at each angle is different, solving the problem is difficult to be effective, so, research with a holistic approach aimed at suggesting comprehensive and practical solutions. Accordingly, it can be seen that the following groups of barriers are obstacles to the development of the private sector: the group of internal barriers of the private sector; a group of policy barriers for the private sector and a group of barriers from the context of economic development at home and abroad.

2.2.1. Group of internal barriers of the private sector

The group of internal barriers of the private sector can list many, but generally include basic barriers such as:

+ *The starting point for development and the capacity of private economic actors is low*: the fact shows that the Vietnamese economy has a low starting point when entering the doi moi process and the state economy plays a leading role. Accordingly, it is difficult for actors in the economy, including private economic actors, to have strong potential. In addition, the private economy has gone from being overlooked, to being recognized as "one of the driving forces" and now "an important driving force" for the development of a socialist-oriented market economy. Meaning in Vietnam is a long and not easy journey. Therefore, when it is recognized that the starting point of the private economy is clearly shown as small scale, weak finance, low technology level... Specifically, until officially considered "an important driving force" In 2015, the private economy accounted for 39.21% of GDP of the whole country, of which individual households accounted for 31.33% of GDP and other components of the private economy accounted for 7.88% of GDP. Small and micro-sized private enterprises account for 97% of the total number of private enterprises. The average revenue growth rate of private enterprises tends to decrease sharply (period 2007-

2011: 34%/year), period 2012-2015: 10%/year)¹. Because of its small scale, weak finance, low technology level, weak management... leading to low labor productivity, business efficiency, product quality and competitiveness; mainly participates in the low value-added market segment. Therefore, if internal capacity cannot be improved, the private sector will continue to contribute to the major bottleneck of the economy in the development process.

The management level of private sector actors is limited: It can be said that, due to their small size and limited financial capacity, most of the private The management level of private The management level of private economic actors is limited: It can be said that, due to their small size and limited financial capacity, most of the private sector entities have formed and developed based on experience own in the management and operation of the company, the enterprise. Basically, with the formation and development of companies and businesses, the bosses/boss also research/learn more knowledge and skills in management, operating the company, business... In addition, the capacity and management level of private sector actors are actually very limited compared to the general development requirements in the increasingly fierce competitive environment today.

Due to limited governance capacity, although competitiveness has been enhanced, it is still not comparable to some countries in the region. However, it still needs to be recognized with the results achieved over the past time, showing that Vietnamese private economic actors are quite active in business, attaching importance to innovation to take advantage of opportunities of deep integration with Vietnam. world in the digital age of the fourth revolution.

+ *The vision and development thinking of private sector actors are fragmented:* due to their low starting point and limited internal capacity, most private economic actors have limitations. in their vision, development thinking because of the constraints mentioned above, and at the same time it is also reflected in their choice of professions and business fields; or strategic direction or how to operate a company or business.

For example, the industry structure of the private sector is still inadequate when 81% focus on commercial and service activities, while only 1% invests in the agricultural sector. The private enterprises that are considered large at present mainly rely on exploiting land and natural resources, the private economy is still weakly developed in the fields of production, processing and manufacturing... Meanwhile, Viewed on the world scale, with developed economies and the private sector contributing a really important role, the private economy concentrates on production and operates in areas where the world needs it. large and frequent such as agriculture, food, consumer goods, tourism... instead of just focusing on serving other large enterprises like Vietnam's in the form of suppliers or subcontractors with low added value.

In addition, because of limitations in vision and development thinking, private economic actors have not been properly and fully aware of the "priorities" of the State for them. cases have been abused, selected or circumvented leading to law violations and unfair competition.

In addition, the investment and business environment is still limited, with high potential risks, lack of safety and transparency in practice, freedom of business and property ownership,

¹ Ha Minh: What barriers are the private economy "entangled" with?? <http://vneconomy.vn/kinh-te-tu-nhan-dang-vuong-nhung-rao-can-nao-20180320083031579.htm>

equality between the private sector and other economic sectors, especially in competition and access to business opportunities and social resources, have not been fully secured... has affected the development thinking of the owners. private sector, hindering the development of this economic sector.

2.2.2. Group of policy barriers to the private sector

In addition to the internal problems of the private economy, one of the factors that have an important influence on the development of this economic sector is the mechanism and policies of the State. Therefore, the barriers of the State's mechanisms and policies are aspects that need special attention. Through actual testing, it is possible to consider the basic policy barrier from two aspects, either the policy is not realistic, or the policy implementation has not yet supported economic actors in the private sector.

In terms of policy practicality, existing barriers can be mentioned:

According to the general assessment, along with the process of renewal of the country, the Government of Vietnam has made many efforts in perfecting the legal and institutional system: it has amended the Constitution, promulgated many laws from the Civil Code. , to Laws such as: Commerce, Banking, Investment, Enterprise... However, up to now, Vietnam's legal and institutional system according to the requirements of market economy development and international integration has not been fully completed. In recent years, the number of legal documents has increased rapidly, but the quality of many documents is not guaranteed; Public opinion polling has been improved but has not really changed in quality... There are still many unclear, inconsistent, complicated and overlapping regulations, leading to the situation of enforcement agencies and enterprises confusion in obeying the law.

Accordingly, the legal environment for the private sector is not yet complete, many regulations are incomplete, unclear, inconsistent, complicated and overlapping. Conditions of administrative procedures, procedures for accessing land, credit markets, and investment opportunities are cumbersome, hindering the development of the private sector. For example, tax policy is too inadequate and discriminatory between state-owned enterprises and private enterprises. Private enterprises are also treated unfairly. Some regulatory policies only mention state-owned enterprises, but do not mention private enterprises. The evaluation views on private enterprises are not objective, causing difficulties and hindering business activities of the private sector.

Many businesses have to pay "informal" costs to solve their work... besides, business costs, transportation costs (logistics, wages, insurance, etc.) are high; Loan interest rates are high around 7-9%, while China is 4.3%, Malaysia 4.6%, South Korea 2-3%. With more than 4,000 business conditions (many of which are not in accordance with international practices) pose inappropriate barriers to the development of the private economy. While it is possible to cut as soon as possible to more than 50% of these unreasonable conditions. What private businesses need is not support and special privileges, but a transparent, fair and healthy business legal system, simple and convenient administrative procedures and soon put into practice.

In addition to difficulties in economic institutions and inefficient administrative apparatus, administrative procedures are still lacking in transparency and accountability mechanisms, lack of

market information, and lack of access opportunities. business, opportunities to access land, access to information, policies, planning, etc. This situation makes many private enterprises operate unstable and unsustainable, even suffer losses, dissolve or go bankrupt.

In terms of policy implementation, it is easy to see the barriers include:

Firstly, the status of “pipe law” or “installation” in law-making is not a small barrier for people in general and the private economy in particular.

Currently, the assignment of draft laws by industry/field of expertise is still carried out, but “which industry drafts the Law on that branch” and there is a lack of professional agencies to assist, especially in the National Assembly (not just committees).). Because when building the Law on its own, it is inevitable that the situation will be chosen to facilitate the implementation of the industry, reducing objectivity, fairness and transparency for related subjects. That will of course make it difficult for enforcers, in which the private economy is a big subject.

Secondly, the poor organization and implementation together with the situation of “push responsibility” or “harassment” or “one door but many locks” seems to be quite common... causing many difficulties for the owners. private economic entity.

According to the assessment of international organizations and the existing reality, the organization of policy implementation in Vietnam is very poor because one part is a cumbersome apparatus, and the other part is just quoting the Resolution, but only cite “reasonable” regulations to bring local or favorable benefits to managers and representatives of the State performing official duties. At the same time, the coordination in the organization and implementation in many agencies is very poor, leading to the slow down of the processes and procedures. responsibility”, waiting for the policy.... For example, due to system coordination, customs have not yet allowed the enterprise’s goods to be “cleared” because of specialized regulations; or the slow implementation of public investment disbursement is a very clear example.

Thirdly, the difference between said and done, between the Resolution and reality is also a barrier to the private sector.

Although a number of ministries and branches have made positive reforms in recent years in related regulations such as business establishment, electricity access, tax, customs, social insurance, etc., but in fact, there is still a large gap between regulation and enforcement of these laws. For example, the Enterprise Law and the Investment Law 2014 have undergone many reforms, but there are still many barriers under the law associated with regulations on business conditions such as “sub-licenses”. Of the 5,826 business investment conditions applied to 267 conditional business lines as prescribed by the Law on Investment, 2,833 are currently regulated in issued documents proper authority, including documents issued before and after the Law on Investment takes effect¹.

Therefore, in the process of national renewal, “Party rectification” is being strongly promoted, in order to overcome the situation of “above hot, cold below”; overcome the situation of disparity between saying and doing, between Resolution and reality. At the same time, resolutely remove

1 Nguyen Hong Son: Private economic development in Vietnam: Barriers and solutions, Vietnam National University, Hanoi

the parts that do not want to reform because they want to “embrace” the old mechanism for easy work, which is difficult to control.

Fourth, between policy and policy implementation there is always an “invisible gap” that makes it difficult for businesses.

Direct survey data from our 695 businesses (the publication’s author group) shows that up to 58% of respondents said they had ever applied for a bank loan. The larger the enterprise size, the higher this ratio. For businesses that have been rejected by banks or only partially disbursed, the biggest reason is because the collateral is not qualified. Especially for small and medium enterprises, it is even harder for these enterprises to access official loans because most of the production space, machinery and equipment are basically rented. Meanwhile, the structure of collateral required in the loan application is still land and house owned by enterprises (38.47%); machinery and equipment (26.46%)¹.

2.2.3. Group of barriers from domestic and international development context

The group of barriers from domestic and international development contexts associated with the leadership of the Party and State, and each economic entity, regardless of economic sector, must abide by and abide by the “rules” of operation. authorities and authorities. Accordingly, this group of barriers basically includes

Firstly, the limited role of the Party’s leadership and the effective management of the State is also a barrier to private sector development.

In fact, the effectiveness of implementing the guidelines of the Party, policies and laws of the State to develop the private economy is not high, reflected in the fact that the socio-economic infrastructure has not met the requirements. private economic development, especially transport infrastructure and human resources. Lack of capital is always a big challenge for private enterprises when there is no collateral to borrow or the collateral is not transparent or disputed; lack of viable projects.

Second, barriers related to inequality in policy mechanisms for the private sector in comparison with the state economic sector and the foreign direct investment (FDI) sector.

State-owned enterprises still enjoy many favors from the State. These preferences affect the market, as a result, resources are not allocated to the most efficient use. State-owned enterprises having the advantage of being financed from the state budget are still given much more favorable conditions than private enterprises in receiving loans from credit institutions and banks; has a much greater advantage in accessing land and premises for production and business. State-owned enterprises in the fields of state monopoly such as electricity, water, petrol, essential public services, pricing mechanism is not according to market mechanism and transparency in price mechanism is still low. Meanwhile, the domestic private sector is under fierce competitive pressure from foreign enterprises in the context of strong integration.

¹ Minh Tung: Experts show how to remove barriers for businesses; <http://cafef.vn/chuyen-gia-bay-cach-thao-go-rao-can-cho-doanh-nghiep-20180322113745319.chn>

Third, barriers related to the operation of the state management apparatus

The state management apparatus for the operation of the private sector has many shortcomings, is not really effective and is heavy on the request-giving mechanism; There are places where discipline is not guaranteed. Administrative procedures are still cumbersome and complicated; The situation of harassment, trouble, irresponsibility, abuse of power, causing difficulties for businesses is still quite common. That barrier is also related to informal costs. Paying informal fees is a big burden on private businesses. The value of informal expenses relative to private enterprise revenue is relatively large. For example, Vietnam's tax payment time in 2016 is still the highest among countries in the region, 1.37 times higher than that of Laos and 7.8 times that of Singapore. Complicated administrative procedures also cause many businesses to give gifts to tax officials during meetings¹.

According to the World Bank's National Governance Ranking Index, Vietnam's government performance index, despite its improvement, is still below the world average. Overall, Vietnam still ranks below the world average in terms of governance capacity.

Fourth, the implementation of tax obligations to the State is also a significant barrier to the private sector.

Obligations to the State are the responsibility of the subjects, but the reality in Vietnam today shows that business and investment activities are affected by many types of taxes: corporate income tax (CIT), income tax on capital transfers, value added tax (VAT), and import tax. In addition, there are a number of taxes that may affect businesses in certain areas such as excise taxes, royalties, property taxes, export taxes, and environmental taxes.

Over the years, Vietnam has issued many policies to reform the tax system in the direction of simplifying and reducing tax pressure for businesses, through which the official tax costs for businesses have been basically cut. However, the informal costs caused by tax administrative procedures are a major barrier for businesses. The actual survey still shows that businesses that consider taxes and the tax and customs system as the main barriers tend to have to pay more informally to tax and customs officers. Moreover, the fact that the majority of enterprises have to pay informal fees confirms the payment of informal fees to help them solve the desired work, showing that enterprises consider gift giving as an effective solution to overcome this barrier

Fifth, the Fourth Industrial Revolution is taking place strongly; Deeper international integration brings opportunities, but also significant barriers for the private sector in terms of starting point and low internal capacity.

We recognize and expect that the private sector must be a dynamic and innovative economic sector with high competitiveness and spillover effects to other economic sectors and thereby to the entire economy. It must be an economic sector with a harmonious and organic combination of small and medium enterprises with large private enterprises/groups, with international brands and competitiveness; leadership in innovation and growth; has the effect of attracting and promoting

¹ Minh Tung: Experts show how to remove barriers for businesses; <http://cafef.vn/chuyen-gia-bay-cach-thao-go-rao-can-cho-doanh-nghiep-20180322113745319.chn>

the development of the entire private economic sector. But overall, the above barriers show that the private economy is facing more barriers/challenges in the current international context than opportunities. Therefore, more than ever, in order for the private economy to develop as expected, besides the private sector's own efforts, the state also needs to play a more proactive and active role. as a "midwife" to orient, guide and support in a fundamental way so that the private sector can catch up with new development trends.

2.3. Recommendations to remove barriers for the private sector to be an important driving force

Although the private sector is still facing many barriers in development as mentioned above, we have to admit that over the past time, Vietnam has narrowed the gap in technology level and quality. human resources and competitiveness of private enterprises compared to the leading group of ASEAN-4; forming multi-owned private economic groups, many of which have reached out to the region and the world, strengthening linkage chains. However, in order for Vietnam's private economy to be truly an important driving force of the economy and to be stable in the international market, the private sector and the State should pay attention to the following recommendations:

First, ensure the unification of awareness on private sector development, on that basis, resolutely agree on guidelines, policies and policy implementation in a high consensus from "top to bottom" for the sake of the goal the best, most effective and reasonable support for the private sector so that this economic sector is truly an "important driver" of the economy.

Secondly, the Government needs to be drastic and radical in removing barriers to private economic development, in which first priority is given to the creation of a truly fair, equal, and most equitable "playing field". is in market access and access to resources for investment and business of the private sector, followed by more synchronous and substantive handling of barriers in terms of administrative procedures and environment. investment and supporting institutions, this handling should be associated with the responsibility of the heads of ministries, branches and localities.

Third, each private sector entity needs to be more proactive in overcoming internal problems, be dynamic and creative in development thinking, and be wise in choosing development strategic orientations. At the same time, building a healthy corporate culture, proactively becoming a team of socially responsible entrepreneurs, accepting clean and transparent standards, saying "no" to bribery and corruption.

Fourth, the economy is moving to a new stage of development, different in quality and based more on productivity enhancement and innovation, which requires higher governance capacity and increased accountability. process and build responsible institutions of policy enforcers at all levels of management.

Fifth, in the current world context, in the management and operation of the country in general and business operations in particular, it is necessary to have an effective information technology platform, thereby creating conditions for information transparency. opportunities to access the market, opportunities to participate in the global supply chain... to gradually form strong private economic groups reaching out to the region and the world.

3. CONCLUSION

In summary, although it must be admitted that for the private economy to truly become an important driver of the economy is not an easy goal to achieve, from the identification of the barriers that the private economy are facing, and if the economic sector continues to receive practical attention, the companionship and support of the Party, State and the whole political system, along with great endogenous capacity, the unanimity of private economic actors, we have all grounds to believe that in the coming time, the private economy's development is worthy of the role, position and potential that the Resolution of the General Assembly of the National Assembly of Vietnam has decided to do. Nationality of the Party has determined

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MOBILIZATION OF PARTICIPATION OF PRIVATE SECTOR IN INFRASTRUCTURE DEVELOPMENT IN VIETNAM IN THE FORM OF PUBLIC- PRIVATE PARTNERSHIP

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Abstract: Vietnam ranked No. 79 out of 137 countries in the world in infrastructure quality in the World Economic Forum's Global Competitiveness Report 2017-2018. Only 20% of Vietnam's roads are asphalted, much lower than other countries such as Malaysia, India and Indonesia. The Asian Development Bank (ADB) estimated that Vietnam will need US\$480 billion for infrastructure investment in 2017-2030. This is a huge investment value and a 'financial burden' for Vietnam. Therefore, private investment is needed to bridge this funding gap. Expanding public-private partnership (PPP) also helps the Government to capitalize on private sector expertise and technology to improve infrastructure and service delivery in terms of better quality and cost which will boost economic growth and generate various opportunities. The document focuses on the participation of the private sector in the infrastructure development in Vietnam in the form of Public – Private Partnership (PPP). The document consists of three main parts: i) Details and main methods of participation of private sector in infrastructure development; ii) Status of participation of private sector in infrastructure development in Vietnam; iii) Some solutions for enhancement and effectiveness improvement of participation of private sector in infrastructure development in Vietnam in the coming time.

Keywords: Private sector, infrastructure, public-private partnership

1. INTRODUCTION

Infrastructure development facilitates growth and stable macroeconomics in developing countries, where an effective business climate with positive macroeconomic and reasonable policy frameworks will attract more investment in infrastructure services. Infrastructure investment played an important role in enhancing the economic market, however, it exerted huge pressure on the government's budget. In addition, the public sector witnessed a lack of experience and expertise in developing infrastructure facilities. To address these issues, public-private partnership (PPP) emerged as an effective procurement method for delivering infrastructure and public services

Over the last decade, private financing through public-private partnerships (PPPs) has become increasingly popular around the world as a way of procuring and maintaining infrastructure such as transportation, public utilities, social infrastructure, and other specialized services. According to the Global Infrastructure Outlook, Vietnam will need over \$600 billion to reach its infrastructure goals by 2040. In the context of public debt reaching the statutory cap set by the National Assembly at 65 percent of gross domestic product (GDP), the limited viability of loans from multinational development banks, the government will need to mobilize new streams of investment.

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Given current public budget constraints, it is estimated that over 50 percent of the funding required will need to come from the private sector. Incentivizing private sector participation requires a favorable investment climate, as well as market-based risk adjusted returns for investors. This in turn requires policy and legal reforms to create a consistent and sustainable platform for partnership between the public and private sectors.

2. LITERATURE REVIEW AND PREVIOUS RESEARCH STUDIES

The topic of private sector participation in infrastructure development in the form of PPP has been studied by many authors. Studies emphasize the role of the private sector in infrastructure development, such as Zou.W (2012) [12] that states that governments encourage private participation in infrastructure investment derived from the reasons of the State sector, that is, the budget is limited and cannot spend on development investment to meet the increasing demand for infrastructure, due to the high cost of public debt. Li B. (2003) [4] affirms that the participation of the private sector helps the State solve financial difficulties for infrastructure development and contributes to promoting the State to operate more efficiently in the provision of road infrastructure services the set. Panayotou. T (1994) [10] mentioned the role of the private sector and only its development trend. Takim and his associates (2008) [11] summarizes many main points policies introduced by the Government to solve complex problems when participating in development in this area, such as investment promotion, pricing, and fee collection.

In Vietnam, many studies have given the theory of PPP or assessed the current situation and suggested solutions to mobilize the participation of the private economy in the development of transport infrastructure under the PPP method. Ngo The Vinh (2015) [8] studies the nature and characteristics of PPP form and its application in the field of urban traffic construction. Bui Thi Van (2019) [7] studies the participation of the private sector in the development of road transport infrastructure in Vietnam. Research by the Vietnam Chamber of Commerce and Industry (VCCI) [9] provides private sector perspectives on public-private partnerships. According to ADB (2012) [1], the solution to attract the private sector to invest in transport infrastructure is: (1) it is necessary to create a suitable legal environment for the private sector to participate; (2) Environment for the participation of the private sector is political stability, exchange rate and inflation; (3) Identify projects with private sector involvement, transport strategy and prioritization; (4) Preparation economic matters, bid guarantees and government support in the process project operation. Research by the National Assembly Economic Committee (2013) [6] has assessed the PPP institutional environment and the application of the form of public-private partnership in Vietnam, especially the shortcomings and the contents that need to be revised in Decree No. 108 of the Government on investment in the form of BOT, BTO, BT and Decision 71 on piloting the form of PPP. On that basis, the study recommends issues to be noted in order to perfect the PPP framework for Vietnam.

Although there are many studies on this issue, these studies have not systematically and comprehensively mentioned about investment in infrastructure development in Vietnam under the PPP method, but mainly stopped at one point significant infrastructure areas such as transport or road transport. On the other hand, these are all studies before the Law on Investment in the form of public-private partnership was promulgated in 2020, so the update is not high.

3. METHODOLOGY

This study uses qualitative methods, statistical, descriptive, logical inference and data on infrastructure projects invested in the form of PPP as well as policies and regulations government in this area. Along with inheriting research experiences from previous works on mobilizing the participation of the private sector in infrastructure development in Vietnam under the PPP method to provide important explanations related to the research content.

4. RESEARCH RESULTS

4.1. Details and main methods of participation of private sector in infrastructure development in Public – Private Partnership

The private sector participates in the public goods supply in the forms of privatization, socialization, and public – private partnership. Of which, the public – private partnership is suitable for the infrastructure field because this field has big investment capital, long project implementation periods, influences over the socio-economic aspect at large scales, etc. This form is widely used by the countries around the world, and it's the main form of participation of the private sector in the infrastructure development.

Definition of investment in public – private partnership in infrastructure

A long time ago, Public – Private Partnership (PPP) was used by some countries in the world to build their traffic infrastructure including the canal in France (18th century), London Bridge (19th century), and Brooklyn Bridge in New York (19th century). In 1980s, public – private partnership became popular in many countries, and it was used even in the provision of public services. Presently, public – private partnership can be understood in different ways. The ADB research (2008) states that public – private partnership means the cooperation between the public sector and the private sector based on a contract aimed to provide properties or services.

The Canada Council of Public – Private Cooperation defines that public – private partnership means the work is done by both the State and the private sector based on each party's qualifications in order to meet the specified needs of the community well with the distribution of resources, risks, and results. These days, the most common definition is the one given by the World Bank, in which public – private cooperation means the cooperation efforts are maintained between the public sector, the State agencies and the private enterprises in order to reach the common goals (for example: road projects) and to pursue the parties' own benefits at the same time.

In Vietnam, according to the *Law on investment in public – private partnership*, the law no. 64/2020/QH14 dated June 18th, 2020, the investment in public – private partnership (PPP) is a form of investment which is made on the basis of the term cooperation between the State and the private investors by signing and performing PPP project contracts in order to attract the participation of the private investors in PPP projects.

Public partners include the Government, the agencies directly under the Government namely the ministries, the sectors, the cities, the State-run enterprises. Private partners are domestic or foreign enterprises, domestic or foreign investors who may be individuals or organizations with the technical/financial expertise.

The basis for the cooperation between these two kinds of partners is PPP project contracts. PPP project contracts are the written agreements signed between the agencies and the PPP project investors/enterprises, in which the State authorizes PPP project investors/enterprises to implement PPP projects.

PPP project contracts include: Build – Operate – Transfer (BOT) contracts; Build – Transfer – Operate (BTO) contracts; Build – Own – Operate (BOO) contracts; Operate – Manage (O&M) contracts; Build – Transfer – Lease (BTL) contracts; Build – Lease – Transfer (BLT) contracts; and mixed contracts.

According to the Law on investment in public – private partnership, the law no. 64/2020/QH14, public – private partnership excludes many fields (parks, parking lots, head offices of public authorities, etc.) and BT (Build – Transfer) contracts compared to that in the Decree 63/2018/ND-CP on investment in public – private partnership. The new regulations only permit the PPP investment in: (1) transportation; (2) power grids, power plants (hydropower plants and the ones with the State monopoly excluded); (3) irrigation, clean water supply, water drainage, sewage and waste treatment; (4) health, education – training; (5) information technology infrastructure. Since PPP projects fall in the important fields of the country and require big capital sources, they need joint efforts. Therefore, depending on each case, the minimum scale of a project should be not less than 100-200 billion dong.

4.2 Status of participation of private sector in infrastructure development in PPP in Vietnam

4.2.1 Achievements

In the recent years, the PPP investment in infrastructure has brought encouraging achievements. PPP projects have been implemented nationwide, positively helped improve the quantity and the quality of the infrastructure for transportation, energy, urban areas, sewage and waste treatment, etc., timely met the people's pressing needs for public transportation and the urgent needs for the infrastructure for the socio-economic development of the country, helped stabilize the macro-economy, boosted the demand for the domestic production, and enhanced the competitiveness of the economy. According to government official statistics from 2019 the line ministries, agencies and provinces have signed and implemented 336 PPP projects, with a total investment capital of VND 1,609,335 billion (about US\$ 70 billion).

Table 1: Quantity of PPP projects in Vietnam as of January 2019

No.	Project field	Quantity	Total investment (billion dong)
1	Transportation	220	672,345
2	Resettlement housing, dorms...	32	12,356
3	Head offices	20	39,793
4	Energy	18	857,209
5	Water supply, water drainage, environment	18	21,716
6	Health, culture, sports	11	4,632
7	Education – training, markets	17	1,284
	Total	336	1,609,335

(Source: Author's compilation)

According to table 1, the dominant share of PPPs is in the field of transportation (220 projects); resettlement housing, dormitories, etc. (32 projects); office buildings (20 projects); energy (18 projects); as well as water supply, sewerage, environment (18 projects). Within the power sector, there are 18 projects under BOT forms in thermal power, with a total investment capital of US\$ 41.743 billion. According to an international consulting firm, foreign investment in PPPs in Vietnam is realized only in the power sector, where the projects have a long maturity and often have a value of billions of dollars. In addition to PPP contracts, the power sector has attracted a large share on private investment capital inflows into independent power plants (IPP), including foreign investment.

In terms of primary contract types, BOT and BT forms are dominant, comprising over 95 percent of PPPs. BOO and BLT are far less common. In discussing PPP contract types with a large domestic commercial bank, it was noted that they were only interested in financing BT projects, where there was land as collateral. At that time, the BT projects and capital accounted for a considerable proportion in the PPP projects. That resulted from the opening policy which attracted the private sector in infrastructure investment in the form of "land exchanged for infrastructure", and the enterprises quickly found how attractive this BT investment was. However, during the implementation, the land was usually priced at low rates in exchange for the infrastructure, and that led to bad consequences including huge State budget losses, corruption, group interests. Moreover, this "bartering" which did not follow the law of value was not suitable in the market-oriented economy. Upon seeing the shortcomings of this form, the policies on the traffic infrastructure BT have become stricter. Since 2011 until now, there have been few BT projects. The unstable BT policies have caused many difficulties and benefit losses and damages to many private investors who joined later because they have spent their money pursuing the projects but finally they could not take part in them. Therefore, in the PPP Law 2020, BT contracts were totally removed.

From the overview of the PPP investment in infrastructure in Vietnam over the past time, we can see that PPP has played an important role in diversifying the investment capital sources for the infrastructure development and helped ease the investment budget burden on the State in the context of limited investment capital sources. Thanks to PPP, the infrastructure has changed a lot over a short period and helped attract the investment within and outside the country, boost the socio-economic development, protect the environment, and ensure the national defense – security and the competitiveness of the country. In comparison with the traditional investment form, the PPP form has higher effectiveness in the budget capital use and opened a new and attractive investment channel in which many enterprises have opportunities to join big projects, large quantities of production materials and fuels are consumed within the country, tens of thousands of jobs are created for the laborers, and the local people get to benefit from the services of higher quality at reasonable costs. The PPP success in infrastructure goes with the development and the implementation of Vietnam PPP policies and laws which set up firm legal corridors for the investment in PPP infrastructure projects. PPP is becoming one of the effective forms of cooperation between the State and the private sector in the infrastructure development in Vietnam.

4.2.2. Drawbacks and shortcomings

However, The Asian Development Bank (ADB) principal private sector development specialist and PPP specialist noted in a blog post that only 10 percent of Vietnam's infrastructure is funded by the private sector¹, far lower than in many other middle-income countries in Asia.

In reality, the projects are just implemented separately and discretely without interconnections, strategic policies and visions which build up the PPP market, and the preparation of the public sector for the cooperation with the private sector, and there are interest conflicts among the parties in many projects. The investors assess that the existing PPP regulations of our country are not so stable; meanwhile, PPP project contracts often last 20-30 years; the investors and the lenders usually demand for the sustainability of the legal regulations which govern the contracts. Therefore, the investors have to take risks when the policies change, and many of them have to propose for the application of guarantee or to ask for higher profits and longer capital recovery periods in order to make up for the risks they have to take. This indirectly increases the project costs, the social costs needed to implement PPP projects and does not attract many foreign investors.

The current drawbacks in the PPP investment in infrastructure development in Vietnam are mostly the policy barriers for the private sector. Here are the main barriers:

**) Differences among the laws and the regulations*

Today, PPP projects are subject to multiple laws and there exist conflicts between the PPP regulatory framework and other laws, such as on tender, state budget, public investment, public debt, etc. For projects on waste treatment, for example, the Law on Environment Protection requires a detailed Environment Impact Assessment (EIA) report along with the feasibility study. At the feasibility study stage, however, the investor has not yet been selected and therefore the EIA cannot be completed because of the absence of funding

Another issue is that PPP projects are exclusively subject to regulations on public investment projects. According to the Vietnam Association of Road System Investors, if projects are considered public investment, they are subject to public expenditure cost norms and public investment capital management. This is a deterrent to project implementation. Enterprises building roads in the Central provinces, for example, are faced with higher costs due to the harder terrain, as a result, these enterprises must apply for lengthy approval on budget increases.

In addition, a large number of power projects have not been implemented due to the lack of guidelines for implementing the Law on Planning, effective as of Jan 1, 2019. The Law on Planning has changed the planning process substantially for power projects. Where previously the power sector had many plans including those for energy, national electricity, provincial electricity, regional electricity, and plans for each power type such as wind and solar power, as per the Law on Planning, the power sector now has only a national electricity plan and an Electricity Masterplan that is integrated into the Socio-Economic Development Masterplan. According to the Law on Electricity, the projects must be in line with the masterplan yet there are no guidelines for implementing the law. Therefore, according to an EVN representative, as many as 400 projects are waiting to be cleared for power planning changes in order to be eligible for preparation and development of projects.

**) The capacity to build investment projects of quality is still poor*

The ADB Senior Infrastructure Specialist pinpointed a lack of quality PPP projects when discussing why private sector participation in infrastructure has not developed commensurately with its potential. This can be attributed to weak capacity by Authorized

State Agencies (ASAs), who often lack the ability to draft and negotiate PPP contracts – an important public sector capacity requirement, especially given the long-term nature and the large transaction costs associated with PPPs.

As noted by a consultant company, many transport projects fell short of expected quality and progress - 56 of 75 projects are brown field while only 19 or 75 are green field. In the healthcare sector, a World Bank Private Sector Specialist noted that of the 63 projects recently proposed, only 28 have completed pre-feasibility studies or feasibility studies, only eight projects have completed tendering documents, and only three contracts have been signed. Of these last three contracts, the Cam Pha General Hospital was cancelled after the contract had been concluded due to litigation from its staff. Clearly, time, efforts, and resources of both the private and public sectors were wasted on developing these projects which end up not being implemented. Market sounding needs to improve to gauge investor interest before conducting pre-feasibility studies.

Under the laws, pursuant to Article 8.7 of Decree 63/2018 / ND-CP, ASAs shall select independent consultant organizations to support the implementation of a number of duties. However, there is not much indicative practice in Vietnam for this selection process. The key issue is budget allocation for procuring and paying for advisers, and this often proves time consuming or beyond the capabilities of the government.

*)Project negotiation does not have specific instructions

As noted in discussions with representatives from the Vietnam Electricity Group (EVN), no clear and specific guidelines from the Government and the Ministry of Industry and Trade (MOIT) exist for negotiating BOT power contracts, including generation, offtake, tariffs, risksharing scheme. In contrast, domestic IPPs have guidelines for negotiating the tariffs with EVN. As most PPP projects in the power sector are large-scale, the negotiations for PPP project in the sector are arduously difficult.

*) *Limiting competition in bidding*

A competitive selection process ensures that the most competitive bid is procured, the risks are transferred effectively, and that optimal solutions are developed by the private sector. The tendering process for PPP bids should be competitive, otherwise the ASA runs the risk of ending up with incapable investor. According to MPI's latest assessment, out of 71 PPP projects completing investor selection, 69 percent appointed investors directly. In discussions with a World Bank representative, it was revealed that in the transport sector, 74 of 75 projects were awarded by direct appointment of investors. For BT projects especially, the rate of investor direct appointment is as high as 94 percent (34 out of 36 BT projects were by direct investor appointment). It was noted that PPP was efficient, but in the absence of competitive bidding, PPP might be even more costly than the traditional public investment. Private investors with interest in PPPs do not trust the process of selecting investors due to lack of transparency. Representative from an international law firm noted that Vietnam does not have a good record in bidding out project, the preparation is poor and invitation for bids tends to be too difficult to comply with.

*) *Inadequate risk-sharing mechanisms*

The PPP investment form means investment is conducted based on long-term partnerships between the public and private sectors, whereby risks are allocated to the party that can handle

them in the most effective and cost-efficient way. The essence of risk-sharing is the combination of “sticks and carrots” to create incentives through a contract mechanism to produce the desired outcome and prevent negative results. The objective is to achieve efficiency and optimal cost. Risk should be transferred to the party that can manage the risk most efficiently (mitigating the probability and/or consequences of the risk of transferring them to a third party at an efficient cost). Risk allocation mechanisms must be included in project proposals and feasibility study reports.

More specifically, if it's too burdensome for the private sector, then it is difficult for the private sector to secure bank financing. Most PPP projects are financed by bank borrowings and a one or two year delay as a result of land clearance would turn a profitable project into a lossmaking one and a five year delay would push the business to bankruptcy. As cited by the ADB Specialist interviewed, risk allocation is not optimal, often placing undue burden on one party or the other. There is no official standard or risk allocation template and risk allocation is negotiated with ASAs on a case-by-case basis. This negotiation process takes a long time and foreign investors often encounter difficulties in navigating the process. According to an international law firm, authorities have yet to clarify a risk-sharing mechanism in which the government guarantees a certain minimum revenue flow for the developer, agreeing to supplement revenue if this minimum is not met. This is especially important in the case of infrastructure, where projects can often carry significant risk. Increased regulatory clarity would help investor confidence. The current model transfers most of the risk on to the private sector. To attract private sector investors and operators, a transparent policy framework and fair allocation of risk are key. Similarly, attractive deal structures with a clearly defined project scope and adequate guarantees on the expected financial return will help to encourage participation in PPP deals.

**) Risks from changes in policy*

In most cases, the PPP contract covers a long period of time, where investors are exposed to many risks. A representative from a credit institution, for example, cited policy change as a considerable risk, where a change in government can result in a change in policy that may impact project implementation. Recently, projects have been affected due to inconsistencies in policies and planning. With the Phu My Bridge, noted above, the HCMC PPC failed to fulfill the commitment of building the Ring road #2 in the East to connect Nguyen Van Linh to Hanoi Highway through Phu My Bridge and the actual traffic volume turned out to be much lower than projected (only about 53.7 percent of the projection). This has seriously impacted the project revenue.

In other cases, the contractual obligations are not strictly observed and investors are subject to discretionary acts by the state. One representative from a construction company commented that some projects were forced to exempt or reduce fees due to the resistance of the people, resulting in heavy impacts on the financial plan and a prolonged repayment period. Similarly, according to a consultant group on infrastructure solutions, the Vietnamese Government's recent actions on some of the road BOT projects created negative perceptions about risk. For example, in the case of one current transportation project, because of Government's effort to curb inflation under the Resolution 35/NQ-CP, it has required additional works from the investor, suspended toll collection, reduced the toll area and shortened the term of the BOT agreement. Needless to say, this practice creates much uncertainty for both domestic and foreign investors and are generally perceived as increasing investor risk.

In addition to contract provisions, investors are also subject to discretionary administrative documents by the State agencies and in many cases, these administrative orders contradict with the contractual obligations negotiated and signed by the parties. During discussions of the uncertainties that impact the investors, a representative of Deo Ca Group made a frank remark. "ASA and the investor are parties to the PPP contract who are equal partners and must honor the signed contract. If it is necessary to change the contract, the party must negotiate to ensure the interest of all parties. The investor should not be viewed as if it were the builder and instructions and orders from the state must be made in the form of a request to modify the contract"

4.3. Solutions to mobilize the participation of the private sector in infrastructure development in Vietnam under the PPP method

- Formulate a reasonable strategy and plan on infrastructure development and form a clear legal framework for PPP, including mechanisms and policies on credit, service fees, and land, etc. to attract private investment for infrastructure projects

- Improve financial mechanism for PPP. Accordingly, on the state capital side, it is possible to study the arrangement of centralized budget capital at the central level for selected PPP projects from time to time, in line with the public investment plan and the national investment plan. Medium and long term finance. On the private side, investors should be allowed to have various options to mobilize investment capital besides bank loans, such as access to ODA loans and other concessional sources of capital.

- Specifying each function of each agency, each subject involved in the entire project preparation and implementation process.

- Incentives, investment guarantees and investment support to increase the financial viability of the project, increase the attractiveness for private investors to participate. To implement this solution, it is necessary to add incentives and ensure investment throughout the life of the project instead of just incentives at the project implementation stage. Strengthening support for private investors such as providing information, guiding administrative procedures, assisting in solving difficulties during project implementation; to adjust the method of determining the price of infrastructure services and the roadmap for price increase, price subsidy conditions, subsidy level and duration according to international practices, ensuring harmony between the interests of the State, investors and consumers and users.

- Minimum revenue guarantee and loan guarantee are not regulated and this is a big barrier in attracting private investors to participate in projects with low profit. This content needs to be studied and explicitly applied to infrastructure projects with low returns on investment in order to attract private investment resources, especially foreign investment.

- Regulations on conditions for deciding investment policies should be adjusted to suit PPP projects in the direction of paying attention to factors of investment attraction and project revenue.

- Finalize the policy on selection and announcement of projects in the form of PPP in the direction of prioritizing projects based on advantages, characteristics and urgency of the project. Projects are selected when ensuring efficient use of financial resources, value for money for the state and receiving the consent of the people.

- Regulations on the content of the Feasibility Study Report in the Law on Public Investment aligns the PPP project management mechanism with that of a traditional project. In contrast, a PPP project is a project formed between the state and the investor, private sector and focus on the investment product of the project is different from the focus on the inputs of the traditional project. Therefore, it is necessary to change the approach to management mechanism to amend the regulations on the content of the Feasibility Study Report following the characteristics of the PPP project.

- Risk identification, risk allocation and risk management are some of the key factors to ensure the project achieves its investment objectives effectively, but it has not been specified in the legal system of Vietnam today. Therefore, it is necessary to stipulate this content in the legal document on PPP to identify and distribute risks to the party with better risk management capacity, ensuring a balance between the distribution of benefits and risks.

- The policy of balancing between mobilization and management of investment resources still contradicts the goal of resource mobilization and management activities to prevent loss and waste. Therefore, it is necessary to adjust these regulations to harmonise the objectives of the state and private investors.

- Policies and regulations on investor selection need to be improved to overcome the situation of appointment of contractors, ensuring competitive and transparent bidding to select qualified investors to implement projects. To implement this solution, it is necessary to strictly stipulate the order and procedures for bidding to select investors, responsibilities and obligations of related parties. Competent state agencies need to prepare and approve technological designs and total investment for infrastructure projects before selecting investors to control costs more effectively.

- The policy on project contracts should supplement regulations on the content and form of a separate project contract for the infrastructure sector for each major to detail the rights and obligations of the parties involved, together with the contract form with full quality of project products and services, risk division and control.

- In order for PPPs to be successful, the GVN will need to retain international and reputable financial, legal and technical advisors, and will need to ensure there will be an appropriate budget and political will for entering into these partnerships. Interviews noted these examples underscored the urgent need for developing a well-functioning, dedicated Project Development Fund.

5. CONCLUSION

Investment in the form of PPP is a major policy of the Party and State to mobilize maximum resources for infrastructure development in Vietnam in the current period. In the past period, the PPP investment policy has contributed to reducing the pressure on the demand for public investment capital to meet infrastructure investment needs and strengthen the infrastructure for the economy. In the coming time, infrastructure investment in Vietnam in the form of PPP continues to be an urgent need; the problem of perfecting the PPP investment policy mechanism is an indispensable requirement for management activities.

Accordingly, the Government, ministries, branches and urban authorities need to focus on researching and developing development strategies for urban development projects in the form of PPP. The Government directs ministries, branches and localities to develop strategies suitable to the specific conditions of each field and each locality and mobilizing resources. The Government studies to perfect the policy framework for promulgation and submits to the National Assembly for promulgation a system of PPP mechanisms, policies and laws to ensure avoiding overlapping provisions between legal documents, overcoming shortcomings, restrictions in the promulgated policies. In parallel with policy formulation and promulgation, the State needs to check, evaluate and direct the implementation to ensure the effectiveness of the policy mechanism in line with reality.

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BUSINESSES IN THE CONTEXT OF THE COVID 19 PANDEMIC

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Abstract: *The COVID-19 pandemic has strongly impacted all sectors of the economy, including the tourism industry which is considered the hardest hit. The number of tourists dropped sharply, businesses operated moderately, workers had to make a career move. In the challenging context, with the support of the Government, many businesses have quickly transformed to promptly adapt, maintain operations, and ensure income for employees. From analyzing the challenging context of the COVID-19 pandemic, the article has systematized the main measures that tourism businesses take to adapt to the pandemic, thereby recommending some solutions.*

Keywords: *COVID-19, Vietnam tourism, transformation, adaptation*

INTRODUCTION

In the renovation process, the tourism industry has been identified by the Party and Government as one of the key economic sectors. With the focus on infrastructure investment and improving the legal mechanism, tourism has been constantly developing, making great contributions to the country's economic development. Tourism development will create great career opportunities, improve people's income and living standards. At the same time, making encourage to improve the system of the transportation, posts and telecommunications, promote the growth of the insurance industry, financial services, food and beverage services.

Vietnam has always been evaluated as a country with available advantages to develop tourism with rich natural landscapes, rich history, cultural diversity, abundant labor force and especially the friendliness and hospitality of the people.

With the potential and investment of the Government, Vietnam's tourism industry in recent years has developed strongly, attracting a large number of tourists, the proportion of tourism in the economic structure has always increased. . However, in recent times, due to the impact of the Covid 19 pandemic, Vietnam's tourism industry has faced serious challenges. To survive and recover, businesses have had to undergo rapid transformation.

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1. THE CURRENT SITUATION OF THE TOURISM INDUSTRY IN THE FACE OF THE CHALLENGES OF THE COVID 19 PANDEMIC

In order to implement disease prevention measures, movement between localities in the country was also restricted. At the same time, since the outbreak of the disease, our country was still implementing a policy of temporarily suspending international arrivals. Even in each locality, also due to the fear of the pandemic, travel and sightseeing were also halted. In between the isolation stages, some localities and businesses have implemented discount policies to stimulate tourism demand, however, because of the short time and few visitors, it was also enough to create a push for the tourist industry.

According to a report by the General Department of Tourism, the total revenue from tourists in 2020 reached VND 312 trillion, down 58.7% compared to 2019. Next, the first 7 months of 2021, total revenue from tourists reached about VND 136 trillion, continuing to decrease by 34.2% compared to 2020. In particular, in July and August, when the epidemic broke out in many localities, the total revenue from domestic tourists decreased "dramatically", only about 200-300 billion VND.

Table 1: Domestic visitors in 9 months of 2021

Targets	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	total
Domestic Travel (thousand visitors)										
tourist arrival	7.500	2.000	7.000	9.000	3.500	1.500	500	200	300	31.500
Group of tourist										
overnight stay	3.900	1.000	3.600	4.600	1.800	900	300	0	0	16.100
In 1 day	3.600	1.000	3.400	4.400	1.700	600	200	200	300	15.400
Total revenue (billions VND)										
Total	34.100	7.300	30.500	39.200	15.300	7.600	2.300	220	330	136.850

The source: Vietnam National Administration of Tourism

After the first Covid-19 epidemic, the Government and the Ministry of Culture, Sports and Tourism implemented stimulus programs for domestic tourism with the motto "Vietnamese people travel to Vietnam". At the same time, tourism businesses were also very responsive in offering preferential programs and low prices to attract tourists. Thanks to the efforts of the whole system, domestic tourism had shown signs of recovery, especially during the holidays of April 30 and May 1, the number of tourists had increased in most places.

At a time which is considered to be the peak of the domestic tourism season, Vietnam's tourism industry was facing a great challenge when the disease continued to break out for the second time. Businesses have not yet recovered from the first outbreak, added more challenges, the number of tourists canceling tours suddenly increased.

After the second wave of the epidemic was controlled, the Vietnam National Administration of Tourism continued to launch domestic tourism stimulus programs, businesses also responded positively in offering attractive advertising and promotional programs for customers. However, because the end of the year was the time when tourism demand decreased and people's fear of epidemics. Therefore, the tourism industry, although there were some signs of recovery, in fact

decreased much compared to the same period of previous years. According to the General Statistics Office, in August 2020, the number of domestic tourists reached only 2 million, while the number of domestic tourists in the same period in 2019 reached 7.3 million, a decrease of 73%.

From the beginning of March to the end of April 2021 when the domestic covid epidemic was under control, the number of tourists increased sharply compared to the first 2 months of the year, as well as compared to the same period in 2020. In which, the peak was April with the number of visitors reaching 9 million.

After controlling the 3rd outbreak, tourism had shown signs of "warming up", then it faced the 4th epidemic again. The outbreak of the epidemic at the time when tourism entered the peak season (end of April) caused the smokeless industry to once again plunge and really plummet when most of the indexes hit the bottom, close to 0. Most travel businesses had to close their doors to fight the epidemic, many businesses withdrew their business licenses, restaurants, hotels were empty, tourist cars were lined up in yards, etc. According to statistics of the Vietnam National Administration of Tourism, in May 2021, the number of visitors was 3.5 million, in June it was 1.5 million, in July it was only 0.5 million and in August it dropped to a record 0.2 million. Major tourist centers all applied directives 15 and 16 of the Government to ensure epidemic prevention, tourism had almost fallen into a frozen state. Hope for a boost for tourism was a rather "far" thing because after 4 waves of covid the potential of many travel agencies were exhausted.

For international tourists, to prevent the spread of covid from outside, Vietnam has closed international tourism from March 2020. Therefore, the number of international visitors decreased sharply, reaching only 78.7% over the previous year, of which more than 96% were international visitors in the first quarter of 2020. From the second quarter of 2021, our country has not opened to international tourism, so the number of visitors is mainly experts and foreign technical workers to work at projects in Vietnam.

The covid 19 pandemic also had a strong impact on travel businesses. The number of customers was continuously decreasing, even there were periods when there were no customers, while the costs must be maintained continuously: rent for facilities, support for employees, money owed to the bank, no revenue, almost inability to pay due loans. Through 4 waves of epidemics, travel businesses from the fight has turned to the stage of trying to "bestir". Many businesses that could not continue to exist were forced to close down and dissolve. In 2020, there were over 338/2519 international tourism businesses applying to have their licenses revoked, 90% of them closed. Entering 2021, when the outbreak of the disease lasted for a long time, the fear of the disease, the implementation of directives 15 and 16 of the Government, people's decreases income caused tours to be postponed or canceled continuously. According to a report by the Vietnam National Administration of Tourism, the number of tour operators applying to revoke their business licenses has reached 35% of the total number of licensed businesses, currently only 2,153 businesses have tourism business licenses across the country. Some localities' tourism revenue in the first 5 months of 2021 decreased significantly compared to the same period last year, typically: Khanh Hoa decreased 85.6%; Quang Nam decreased 68.4%; Thua Thien - Hue decreased 48.8%; Ho Chi Minh City decreased by 46.7%; Bac Ninh decreased by 38.1%; Binh Dinh decreased 33%; Hanoi decreased by 29.7%; Quang Ninh decreased 46.7%; ...

At the same time, with the difficult trend of travel businesses, accommodation and food services are also facing very serious challenges. In the revenue structure of the tourism industry, the accommodation business (hotels, homestays, resorts) accounted for about 46%. For accommodation facilities rated 3-4-5 stars and equivalent, the number of international visitors stopped completely after the first quarter of 2020, so most of them had to deeply reduce prices, transform markets, and attract domestic guests and experts or offer a large discount, operate moderately. Accommodation facilities with 1-2 stars and equivalent or less mainly served domestic guests, although they did not fall into a state of stagnation like the higher level, but they were constantly struggling due to covid "storms". The types of homestay in the community tourist destinations in the northern mountainous such as Ha Giang, Lao Cai, Cao Bang, Lai Chau, etc. were interested by many visitors but also suffered the same fate of having to operate in moderation. More than 30,000 accommodation establishments operated at only 20-25% capacity. Many hotels and restaurants sold and liquidated cheaply, but there were no buyers.

On the old quarter in Hanoi (Hang Be, Hang Bong, Hang Bac, ..), in places where the hotel business had used to be for international delegations staying, by the 4th wave of covid, many hotels hung signs for sale but no one asked to buy. If by the end of 2020, there would only small hotels and homestays with less than 20 rooms for sale. However, the transaction was very difficult, there was many hotels that had to unload each furniture to sell and return the premises.

The majority of accommodation facilities operated mainly as self-pay and self-quarantine facilities. One of the localities that had been quite agile in the transformation was Ho Chi Minh City, which was considered the center of the fourth outbreak of the disease. The City Department of Tourism coordinated with the Department of Health to establish a concentrated medical isolation area with a fee at 72 hotels, equivalent to 5,564 rooms. The government also mobilized 395 hotels to register as F1 isolation facilities, equivalent to 13,426 rooms. However, the number of conversions still accounted for a small proportion, the average room capacity of the country in the first 6 months of 2021 was less than 10%, many accommodation establishments after trying to hold out were forced to close down.

One of the industries that was also strongly affected by the covid-19 pandemic was transportation, and travel restrictions also caused transport businesses to suffer heavy losses. Tourism transport enterprises (cars, ships, accommodation ships) were even more difficult, almost stopping operations because there were no customers. Many bank debts came due date, but there was no source of income. Many businesses have had to sell assets and sell off cars to be able to wait for the recovery date.

The difficulties of enterprises were also difficulties of employees. According to a survey by the Tourism Advisory Council, there are currently 18% of businesses across the country that have laid off all their employees; 48% for 50-80% of employees quitting. For businesses operating in the field of accommodation and catering, facing the freeze of the tourism industry to maintain, they had to also cut human resources to reduce costs. In 2020, accommodation and catering establishments reduced their staff by 70-80%. By 2021, employees who quit their jobs or terminated their labor contracts accounted for about 30%, temporary workers made up 35%, and part-time workers accounted for 10%.

For employees working as tour guides, according to statistics of the Ministry of Culture, Sports and Tourism, the total number of tour guides who have been issued cards nationwide is currently 26,721 people. In which, there are 16,965 international tour guides, 8,743 domestic tour guides and 1,013 on-site tour guides. Many workers in the tourism industry have lost their jobs for a long time, there is no income, life is very difficult, many of them have to switch to other jobs to make a living as shippers. , driving technology motorbike taxi, real estate consulting, ...

It can be seen that, after 4 "fatal blows" of covid 19, almost the potential of travel companies and accommodation service businesses was almost exhausted, many companies declared bankruptcy because they no longer had the strength to recover. The epidemic lasts a long time, leaving workers unemployed and struggling to make ends meet, businesses and households would all focus on doing business and tightening spending. Therefore, the recovery of the tourism industry would be very difficult. Even after the epidemic, there would be a fierce competition for survival among tour operators, accommodation and catering establishments.

2. ADAPTIVE SOLUTIONS OF TOURISM BUSINESSES DURING THE PANDEMIC

In the context of the tourism industry being "frozen" due to the impact of the epidemic, many business units had actively sought ways to respond and change forms of production and business to try to maintain and overcome the pandemic. .

In the trend of transforming business activities based on the available advantages of understanding and connection with localities, travel businesses have turned to services of providing agricultural products and local specialties. This business model was deployed by the units on the basis of the destination database of the human resource network throughout the provinces and cities across the country.

One of the typical representatives of this trend is PYS Travel Travel Company, with the advantage of specializing in tours to the northern provinces, especially the northern border provinces, the company has opened more services to provide agricultural products and specialties of this region to consumers. Through the culinary tourism program, the agricultural products and specialties that previously had to be experienced on a tour could now be enjoyed at home without going anywhere. In order to stimulate consumer demand, the company also had the activity of "eating specialties and getting gifts", applying to give away vouchers with a period of use until the end of December 2021. With this program, the company ensured continuous operation, and at the same time, the company also continuously launched combo programs for customers to book in advance to maintain a number of familiar customers who would immediately catch up with the travel wave when the epidemic would be under control.

Along with the trend of adaptation associated with the consumption of agricultural products, many tourism businesses had taken advantage of the available pros of understanding about agricultural products in different regions and the diverse linkages both domestic partners and foreign ones had made the transition to a new business form of exporting agricultural products to foreign countries. One of the typical representatives for this trend is VietTindo Travel Company. Although the European market always requires strict standards, only in 2020, the company has exported 15 Vietnamese agricultural products to the French market. The company is currently

negotiating with partners to bring agricultural products to other markets such as Germany, Czech Republic, etc.

To adapt to the epidemic, right from the first wave of covid, many tourism businesses had turned to the production of consumer goods and epidemic prevention equipment. In order to have a source of income for employees, Viet Tourism Company had shifted to distributing agricultural products and hand sanitizer. However, these temporary measures did not work. At the end of April 2020, the company started to invest in opening a mask factory with machinery imported from Germany. After one year of operation, the company had 4 main factories and associated factories. The boxes of Vietnamese-branded masks produced by the company so far have been present in many countries such as the US, Singapore, Japan, Korea, etc. The fact that a face mask manufacturing enterprise surpassed all the leading international rigorous testing and production standards to reach many major markets were the result of the company's serious and professional labor process.

Simultaneously with the transformation of business forms, enterprises also have had many policies to encourage the spirit of encouragement and sharing of employees with the difficulties of the enterprise. One of those examples is TransViet Company, as soon as the epidemic broke out, the company's CEO sent a letter to each employee to talk about the situation that the company was facing. All the company's managers in all 3 regions voluntarily work with the minimum basic income to survive with the company. The Board of Directors also issued a call to those who had empty houses and empty rooms to share with employees as temporary shelters on the condition that people in difficulty would return when their income returned to normal. Many employees accepted the transfer from office work to production facilities to temporarily work like real farmers. At the same time, the company would regularly rotate employees to stand at the office to regularly maintain the rhythm of the company's activities. The flexible adjustment combined with encouraging the spirit of sharing among employees is considered an effective solution to help businesses maintain operations and increase the cohesion between employees and businesses. .

Accommodation facilities were also places heavily affected by the pandemic, without customers means no revenue. To adapt to the epidemic situation, the trend of mobile sales is being applied by many hotels and restaurants today. Instead of waiting for customers to come and then provide services like before, grasping the situation of people restricting travel during the epidemic season, these units turned to online food business and door-to-door delivery. Taking advantages of the brand name as well as the force of professional and highly qualified chefs, the hotel kitchens have really attracted a large number of customers. Easy-to-eat, suitable-priced, and easy-to-transport dishes are listed for service during the epidemic season with online promotion channels via facebook of restaurants, hotels, personal pages of employees and professional applications about cuisine, etc. Besides popular dishes, many more advanced menus are also listed by hotels during the day to conveniently serve the diverse needs of customers.

One of the typical representatives of this trend is Rex Saigon Hotel, in District 1, Ho Chi Minh City, from April 2021, the hotel has introduced "Lunch Saigon" to diners. In simple dishes, customers could entertain and welcome friends, colleagues, partners and relatives. Each lunch was only 189,000 VND/pax (price includes tax) with a menu of 2 dishes that changed every day,

meeting the diverse needs and choices of customers. Meanwhile, some other hotels in Ho Chi Minh City not only stopped delivering food at home, but also have a home-service chef program for customers in need.

The advantage of this product and service was that customers could experience the "5-star" class right at home with quality dishes that previously could only be experienced at hotels and restaurants. Moreover, the products come from reputable brands, so consumers were completely assured of safety and health. Customers could eat and drink in a safe space and ensure epidemic prevention and control measures.

Also not sitting idly, many transport businesses have converted from transporting passengers to transporting goods. Grasping the trend of restricting travel between regions, the demand for goods, especially food, is still increasing. Take advantage of the policy of prioritizing the transportation of goods "green channel". Transport businesses have switched to transporting goods and food. The transportation still ensures epidemic prevention policies, while supporting farmers to consume agricultural products while ensuring continuous operation.

Thus, facing the serious challenge of the pandemic, many tourism businesses have been very agile in converting to be able to maintain operations and ensure income for employees. Although, switching to business in a completely different field, businesses still try to maintain tourism activities, in order to wait for the day when the epidemic is under control, they would quickly return to the market.

3. SOME SOLUTIONS TO SUPPORT TOURISM BUSINESSES IN THE CONTEXT OF THE COVID 19 PANDEMIC

Experiencing covid epidemics, the rapid recovery of the tourism industry is almost very difficult. According to many experts, in this 4th epidemic to completely stop the epidemic, normalizing people's lives will take a long time. Not only in Vietnam but also in many Asian countries, the number of covid cases is continuously increasing. Many countries, which are considered to be the leading tourism markets of our country, have all imposed flight restrictions, so the desire to normalize international tourism activities is extremely difficult even if we impose restrictions on flights. Use the "vaccine passport". Compared to international tourism, domestic tourism is more feasible after the epidemic is controlled, but for domestic tourism to "take off" after the 4th covid-19 pandemic, it is not simple. Forecasts by many experts confirm that the world tourism industry in general and Vietnam's tourism in particular need more time to recover from Covid-19 than in previous crises. At the present time, domestic and international cases of covid 19 are also constantly increasing, so management levels and each business need to monitor the reality to take timely response measures.

3.1. About policies

First, the tourism industry needs to simultaneously deploy many groups of solutions. In particular, tourism should focus on implementing Resolution No. 08-NQ/TW dated January 16, 2017 of the Politburo on developing tourism into a spearhead economic sector. The resolution represents the political determination at the highest level of our Party to develop tourism into a spearhead economic sector of the country, with potentials, strengths and weaknesses that need to

be overcome and most importantly, are breakthrough solutions, synchronous, creating unity in thinking and actions of all levels, sectors and the whole society on tourism development.

As soon as the epidemic broke out, the direct management agency, the Vietnam National Administration of Tourism, actively monitored and grasped the situation, made a series of proposals to the Government, and related agencies with policies to support businesses and workers in the tourism industry affected by the epidemic. Based on the proposals, the Government has issued many policies to support businesses and workers, such as: electricity price reduction, land rent reduction, travel license fee reduction and tour guide card, loans with preferential interest rates, directly support for employees, etc.

Since the outbreak of the disease, the Government has reduced electricity prices 3 times for tourist accommodation facilities: phase 1 (from April to June 2020); phase 2 (from October to December 2020); Phase 3 (from June to December 2021). At the same time, businesses also enjoyed incentives from the policy of reducing land rent. In 2020, businesses allowed to receive a 15% reduction in land rent according to Resolution No. 22/2020/QĐ-TTg dated August 10, 2020. In 2021, businesses continue to be extended to pay value-added tax, corporation income tax, personal income tax and land rent in 2021, the extension period is 6 months from May 31, 2021.

Accompanying businesses, the Government has also issued a policy to support tour guiding workers who are facing difficulties due to the impact of the covid epidemic. On July 1, 2021, the Government issued Resolution No. 68/NQ-CP on some policies to support employees and employers facing difficulties due to the covid 19 pandemic, accordingly supporting 3,710,000 VND/person for tour guides who are issued with tour guide practice cards affected by covid 19 during the period from May 1, 2021 to the end of December 31, 2021. The Resolution also has a policy to support employers to get loans to pay wages to stop working or to borrow loans to pay salaries for employees to restore production and business.

Thus, the Government's policies have also provided timely support, reduced pressure and created motivation for businesses and employees to reduce difficulties in maintaining operations and adapting to the challenges of the epidemic.

3.2. Some solutions for businesses

With support from the Government and authorities at all levels, to adapt and recover from the pandemic, businesses can implement some solutions as follows:

First, considering a new pricing model to recover demand, stimulate demand, and boost quantity by means of discounts are important tactics for businesses. Faced with the challenges of the pandemic, many travel companies have continuously reduced prices to attract visitors, even many businesses have not cared about profits. But this is not a long-term way because the resources of companies are also limited. The best solution is to keep the quality and the company uses flexible pricing from time to time.

Second, increase the application of technology, especially digital transformation. It is during the epidemic that an extremely important lesson has been highlighted that is the flexibility of transformation. In particular, digital transformation is an inevitable, this issue has been mentioned by many industries and levels in the trend of industrial revolution 4.0. But the epidemic is a push

for businesses to realize and deploy. The application of information technology, business on digital platforms, e-commerce, data digitization, website investment, virtual reality technology combined with data warehouse (big data) need to be implemented and done early.

Third, to add new experiences for visitors, towards diverse and non-traditional destinations. With new forms of experience aimed at uniqueness, avoiding large crowds is of concern during the epidemic season. Picnic sites in unspoiled natural forests have been deeply interested by many tourists such as Dong Lam steppe in Lang Son, Pu Luong in Thanh Hoa province while ensuring safety during the epidemic season but still having exciting new experience. Or the form of "farm stay" promoted by the National Administration of Tourism has created the foundation for indigenous experiences. Many areas are also promoting unique local experiences, like Da Lat with its picnic and camping spot. Mui Ne with a system of golf courses and water sports,...

Fourth, focusing on domestic tourists, it can be seen that in the midst of major epidemics, domestic tourism has become the "salvation" of many businesses in the tourism industry. People's living standards are increasingly improving, the demand for expanding tourism is also increasing. Along with the development of the transportation system, especially low-cost airlines, people have more opportunities to travel more often and more easily. Serving domestic tourists has an advantage that is the similarity of culture and language. But in order to retain tourists, it is necessary to improve the quality of services, to avoid the current situation where many businesses have discrimination in service between foreign and domestic customers. To each tourist destination, they not only come to one place, but also come back many times and promote more to their family.

CONCLUSION

Thus, through the challenges during the pandemic, the tourism industry has shown profound lessons, which is not only agility and adaptation to the ever-changing environment but also avoiding dependence on any one market. In addition, the tourism industry must also have a crisis reserve fund, proactively and flexibly to adapt, link and cooperate to develop together, focusing on people. Government support is fundamental to crisis management and business recovery. The tourism industry needs to actively approach the Government's support programs. It is possible that this epidemic will last for a long time, but vaccination has been widely deployed and people will probably have to accept the scenario of living with covid. But with the correct direction of the Party and timely policies of the Government, the efforts and persistence of tourism businesses will still be stable. In the midst of the silence between stages of pandemic is an opportunity for businesses to reflect on themselves, prepare knowledge, skills and experience to look forward to the new return of tourism.

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MOBILIZING INVESTMENT CAPITAL FOR APPLICATION OF SCIENCE AND TECHNOLOGY FOR TOURISM DEVELOPMENT IN NGHE AN PROVINCE

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Abstract: *The article identifies the application of science and technology as an important factor in the development of tourism in Nghe An province. The application of science and technology towards a smart tourism model, which is the inevitable trend of the future, will create a new chapter for the tourism industry. Research and analyze the reality of mobilizing investment capital for the application of science and technology in the tourism industry in Nghe An. With this intention, give solutions to mobilize investment capital for the application of science and technology for tourism development in Nghe An Province in the future.*

Key word: *Investment capital, science and technology, tourism development, Nghe An*

1. INTRODUCTION

Developing tourism into a spearhead economic sector is a strategic direction for the development of the country. Recently, Nghe An province has advocated tourism development as an important criterion for economic development, aiming to be the locality with the leading tourism industry in the North Central region. In order to develop tourism into a spearhead economic sector, it must perform many solutions simultaneously, in which, the application of modern science and technology is the most necessary. However, in the process of developing tourism in Nghe An province, it is still very limited. Therefore, it is important to develop policy mechanisms and invest capital in the application of science and technology to “spread wings” for tourism development, towards a smart tourism model in the future. The research topic was carried out to find solutions to mobilize investment capital for the application of science and technology, toward tourism development of Nghe An province in the future.

2. RESEARCH METHODS

In the process of implementation, the author uses the methodology of dialectical materialism, historical materialism to study issues that ensure the comprehensiveness, the system, the logic and the practicality of complete solutions.

The author uses economic scientific research methods such as analytical methods, statistical methods, synthesis and evaluation methods.

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- The decimal information method is used to collect documents, data and information available through the results of scientific research, statistical reports, general reports on tourism development.

- Statistical methods are used to make statistics on the mobilization of investment capital for the application of science and technology to develop tourism in Nghe An province in the period 2016-2020...

- Data processing methods are used to calculate, synthesize, and analyze data depending on the purpose and content of the study.

3. LITERATURE REVIEW

- *Mobilizing investment capital*: According to the 2014 Investment Law, "Investment capital is money and other assets to carry out investment and business activities" [1]. In essence, investment capital is the amount of money spent in order to fully satisfy the constantly increasing needs and comprehensive development in society, by constantly developing at a fast pace of social production, rationally allocate production capacity in the national economy, constantly improve labor productivity, actively contribute to socio-economic development.

- *Scientific and technological activities*: are defined as systematic activities which are closely concerned with the generation, advancement, dissemination, and application of scientific and technical knowledge in all fields of science and technology

- *Applied research*: refers to scientific study and research that seeks to solve practical problems. This type of research plays an important role in solving everyday problems that often have an impact on life, work, health, and overall well-being.

- *Tourism development*: is an increase in income, total tourism revenue, scale of the tourism industry and a change in the quality and structure of the tourism industry. Tourism development aims to give better service for the needs of tourists; increasing economic, political, cultural and social effectively; expand benefits for the locality, tourism enterprises and citizens.

- *The role of science and technology application in tourism development*:

The application of technology to the tourism industry is an indispensable requirement in the process of integration and development, not only increasing the facilities for tourists and managers but also improving competitiveness with localities, the nations.

In particular, technology affects the strategic management and marketing of modern organizations, which, as a paradigm shift, can transform "best" business practices globally. Technology transforms the strategic position of organizations by changing efficiency, differentiation, operational costs and reaction times. With the challenges of the continuous development of society, when traditional advertising media such as books, newspapers, magazines, television ... can no longer hold the leading role as before, the need for a medium of advertising new fox is inevitable.

In particular, technology has stimulated fundamental changes in the operation and distribution of the tourism industry. The most obvious example is the application of technology in the booking process that allows both consumers and industry to save significant time in identifying, consolidating, booking and purchasing travel products.

As the application of information technology is strongly deployed, travelers can browse the Internet and identify a rich range of offers to make travel choices that suit their individual requirements. As a result, the focus shifts to individual tours and dynamic packages. This will improve service and provide a seamless travel experience, while it will enable tourism organizations to stay competitive in the modern development environment.

4. REALITY OF MOBILIZING INVESTMENT CAPITAL FOR THE APPLICATION OF SCIENCE AND TECHNOLOGY IN THE TOURISM INDUSTRY IN NGHE AN

Recently, Nghe An province has not had a specific policy on science and technology for tourism business, it is only mentioned the policy of applying science and technology to business activities generally, including tourism business environment. The People's Committee of Nghe An province has adjusted and supplemented the Science and Technology Development Plan of Nghe An province for the period 2015-2020, to 2030 there will have science and technology programs that serving economic sectors, including tourism: Forming and developing e-commerce and transaction environment smoothly and reliably. Modernize and apply information technology in services for the development of business activities. Nghe An province sets out requirements to improve professional capacity in engineering, technology management and technology innovation management for enterprises. Action program No. 55-Ctr/TU dated January 4, 2018 of the Standing Committee of Nghe An Provincial performs Resolution 08-NQ/TW of the Politburo Standing about develop tourism to be spearhead economic sector in the region. Nghe An province in the period of 2017 - 2030 sets out tasks associated with science and technology: developing telecommunications and information technology infrastructure systems to be suitable for the needs of tourism; installing the system to provides free Wi-Fi, constructing information support center for tourists at main places: Kim Lien relic area, Cua Lo town, Vinh city.

In order to support domestic and international tourists, Nghe An province's tourism industry has increased the application of digital technology to support and increase the experience for tourists... In the 2016-2020 period, Nghe An has applied science and technology in communication activities, tourism promotion. It helped to increase the number of tourists day by day. But now the ability of technology is not enough to develop special tourism towards the smart tourism model in Nghe An.

In the application to serve the State management, the Department of Tourism has carefully put the public service software to the test; they are completing the industry database with background updates of tour guide information; information of travel businesses, accommodation service businesses, tourist zones and attractions in the province; list of qualified tourist service establishments.

Currently, 100% of businesses in the tourism industry in Nghe An use computers and internet lines, apply specialized software, such as: office management and finance; buying and selling tours; destination information;.... It brings many benefits to tourism businesses, especially the global connectivity on the internet which has solved many existing difficulties for businesses, as business activities and market penetration. Tourism businesses have applied information technology in business, example, advertising on the internet about tourism products and services; booking room;

booking tours; booking travel services such as: sightseeing by yacht, play games... Visitors can pay for travel services through the banking system, not just using cash [7].

Table 1. Investment capital of the state budget, enterprises, and accommodation establishments for the application of science and technology in tourism in the 2016-2020 period

Unit: billion VND

Content	2016	2017	2018	2019	2020
Expense of State budget	38,025	52,002	55,86	60,2	62,87
Expense of enterprises	59,525	88,31	93,046	100,48	95,082
Total	97,55	140,312	148,916	160,68	155,952

Credit: Department of S.A.T of Nghe An province [2,3,4,5,6]

Currently, free Wi-Fi in Kim Lien relic site, Cua Lo town, Vinh city has not been implemented, the information support center for tourists has not yet been established, without direct support from the province about apply new technologies to the tourism business, such as: electronic machinery; recreational vehicles; and tourist transport. There is no policy to encourage links between scientists and businesses in investment, research and application of scientific and technological products specifically for tourism business. In fact, tourism businesses are still looking for technology to improve their business efficiency [8,9].

In general, the approach of businesses and accommodation establishments with the application of science and technology is still weak, because this unit is mainly small and medium sized, low capital, financial ability to pay for investment in technology application is not high; most are domestic travel businesses, accommodation businesses (guesthouses, 1-2 star hotels), they serve mainly for domestic customers [10].

In fact, the capital mobilized for the application of science and technology to develop tourism in Nghe An province is still very limited and insignificant. It is mainly from the state budget expenditures and expenditures of tourism businesses and accommodation establishments. This capital does not exceed 1% of the investment capital in the province's tourism.

5. SOLUTIONS TO MOBILIZE INVESTMENT CAPITAL FOR APPLICATION OF SCIENCE AND TECHNOLOGY FOR TOURISM DEVELOPMENT IN NGHE AN PROVINCE

Science and technology development is considered as a breakthrough in tourism development, towards a smart tourism model in the future. Recently, Nghe An province has had a number of solutions to mobilize investment capital for the application of science and technology to develop tourism. However, the current level of investment in science and technology is still very low, spreading so greatly affecting the ability to apply scientific and technological advances to tourism development. In order for science and technology to become a factor creating a breakthrough in tourism development in the future, Nghe An province's government needs to strengthen the effectiveness of solutions to mobilize support capital and apply scientific advances to tourism development. .

Firstly, strengthen and improve the efficiency of state budget spending on research and application of science and technology in the field of tourism.

Increase state budget capital for research and application of science and technology for tourism development, in which priority is given to state budget capital for investment in science and technology infrastructure development.

Improve the efficiency of using funds from the state budget for the implementation of scientific research projects in the field of tourism. State budget capital is limited, every dollar of capital for science and technology research activities should be used in the most effective, avoid losses and waste.

Secondly, implement policies to encourage enterprises to develop science and technology synchronously.

In the coming time, with the goal of developing tourism from breadth to depth, businesses must actively invest in science and technology to attract tourists to Nghe An. However, the state also needs to have preferential policies such as borrowing capital, tax exemption to encourage scientific research activities, and support to invest in equipment and machinery for science and technology application activities.

CONCLUSION

In conclusion, it can be determined that science and technology is an extremely important factor for tourism development. The application of science and technology is necessary to bring Nghe An tourism become the number one tourist position in the North Central region. Therefore, solutions to mobilize capital for the application of science and technology to develop tourism in Nghe An province need to be implemented quickly and synchronously to contribute to creating a new brand for the province's tourism in the near future.

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THE IMPACTS OF GROWTH ON PROFITABILITY: EVIDENCE FROM THE SEAFOOD COMPANIES LISTED ON THE VIETNAM STOCK EXCHANGE

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Abstract: *This paper analyzes the impacts of growth on the profitability of a company by using panel data on 28 seafood companies listed on Vietnam stock market during the 2010-2020 period. The paper points out that growth has positive impacts on the profitability of seafood companies listed on the Vietnam stock market. In addition, the paper also indicates that the size and asset structure of a company have positive influence whereas financial leverage has negative impact on profitability. Based on the key findings from this research, the paper suggests some solutions helping Vietnam seafood companies maximize their profits.*

Keywords: *Growth, listed seafood companies, profitability, Vietnam.*

1. INTRODUCTION

Profit-oriented business management strategy is one of the most important policies of a company during the recent financial crisis. While large companies around the world have the higher tendency to survive in the context of long-term depression because of their financial capacity, research capacity and growth, Vietnam, characterized by small and medium-sized enterprises, are vulnerable in all of these aspects. Hence, Vietnamese companies are more likely to favor a profit-oriented management strategy as a means to improve business resilience. A profit-driven strategy in a relatively stable economic environment can help generate free cash flow and reduce the possibility of bankruptcy. Moreover, it can improve the growth potential of a company such as investment activities, expansion, promoting high profits.

Research on the impacts of growth on profit margins is an important issue for researchers around the world. A few studies have found the relationship between variables and the sustainable growth rate, such as Alchian's research (1950) which theoretically analyzed the impact of production costs and efficient business processes on profits, or the research conducted by Chandler and Jansen (1992), Mendelson (2000), Cowling (2004) which studied the relationship between growth and profits. In Vietnam, there have been many studies focusing on each business line: petroleum, steel, food production and processing by Tuyen (2013), Tung (2016), Phuong et al (2021). However, there are few specific studies on enterprises in the seafood scene.

In recent years, Vietnam seafood companies have witnessed robust development. The export market is expanded. However, in the course of international economic integration, barriers and

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international trade disputes tend to increase, the consumption market and export prices become complicated, making profits in the seafood scene unstable. Without strategies to increase profits, seafood companies will not be able to make use of the available advantages and are likely to fall into recession or bankruptcy even while operating at the homeland. Therefore, this study will examine the impacts of growth on profitability of listed seafood companies in Vietnam in the context of economic fluctuation during the 2010- 2020 period, thus, proposing measures helping businesses achieve the goal of maximizing their profits.

This paper is structured into five parts: the second section reviews literatures related to the impact of growth to profitability; the third section presents the methodological framework; the fourth section deals with the results and discussions; the main conclusions are discussed in the last section.

2. LITERATURE REVIEW

According to modern economists, companies make investments based on their current statistics rather than expected future returns. Some businesses achieve competitive advantages and high profits by lowering production costs or implementing more efficient business processes. In contrast, businesses lacking such measures will lose their market share and will eventually be eliminated. Alchian (1950) proved that: according to this theory, the current performance of the firm can be considered the basis for future growth.

From a resource-based point of view, the growth of a company does not increase future profitability. This theory was proved by Penrose (1995). The author pointed out that the growth of a business is not determined by the characteristics of the firm itself, but by the growth of the economy. Although a growth economy temporarily provides companies with an impetus to develop, fast-growing firms will be burdened with higher operating costs compared with slow-growing firms. Therefore, there is an inverse relationship between the current growth of a company and its future profitability. Similar to Penrose's argument, the management theory proposed by Marris (1964) concluded that business expansion and the increase of profits contradict to each other. Marris (1964) assumed that the growth of a company is only obtained through product diversification. Such conclusion was supported by relating empirical analyses which showed that product diversification not relating to the company's core product will reduce the profit of the company. Therefore, business expansion can reduce the profit of a company.

Empirical studies have demonstrated contradictions in the relationship between sales growth and profits. Markman and Gartner (2002) ascertained that there is no noticeable correlation between sales growth and profits. Similarly, Bottazzi et al. (2008), Gschwandtner (2005) found no notable relationship between sales growth trend and profit differences. However, Sexton et al. (2000) stated that there can be a fragile connection between company growth and profitability, while Capon et al. (1990) showed that growth can lead to efficient financial performance, nonetheless that is only applicable in certain industries. Chandler and Jansen (1992), Mendelson (2000), Cowling (2004) found that there is a significant, positive relationship between firm growth and profitability, while Reid (1995) suggested that sales increase can negatively impact on profit rates. By the same token, Mueller (1997) argued that company profits can converge to a certain extent due to market competition. Mueller suggested that businesses are free in entering and exiting the market, thus, excess returns will quickly disappear, converging to the long-term average.

The correlation witnessed between sales growth and profitability becomes even more complicated when time lags and the relationship between factors are taken into account. Goddard et al. (2004) demonstrated that the current growth rate of a given firm has a statistically considerable negative impact over profits in the next period. Nakano and Kim (2011) argued that the size of a business negatively affects future profitability rate.

Regarding growth rate indicator: Most previous studies have shown that this factor has a positive impact on profits, as evidenced by the article written by Tuyen (2013) which studied over 45 businesses in the food industry throughout the 2010-2012 period. The same conclusion is found in other studies conducted by Mai et al (2016); Tung (2016).

Regarding the relationship between asset structure and profit: Tuyen (2013), Mai et al (2016) proved that investment in fixed assets has an inverse relationship with company profits. On the contrary, Tung (2016) stated that such relationship is directly proportional.

Regarding firm size indicator: experiment conducted by Anh & Tu (2017) across all listed enterprises on Vietnam stock market in the 2012-2016 period showed that the size of a company has a positive effect on profits. However, Hien's research (2019) on 192 enterprises in Vietnam from 2010 to 2018 found an inverse relationship between firm size and profitability.

Regarding financial leverage indicator: Trang & Phuong (2018) and Hien (2019) shared the same perspective that financial leverage positively impacts profits. In contrast, Dang & Hoang (2018), Mai et al (2016) found the impact to be negative.

3. METHODOLOGICAL FRAMEWORK

Hypotheses

Based on these above literatures and already studies done in different countries, we have developed our hypotheses for research as follows:

H1: There is a significant relationship between growth and profitability.

Variables and regression model

The dependent variable

Dependent variable in this study refer to company profitability, which can be measured by a number of methods: return on sales (ROS), return on equity (ROE), and return on assets (ROA). However, this study used exclusively the ROA method, on the grounds that the ROA method has been proven to be able to find out how companies can manage their assets to maximize profits, whereas ROE and ROS indicators fail to capture the whole picture of the company profits (Seungkyu Yoo và Jaejun Kim, 2015).

The independent variable

In previous studies, sales growth and asset growth have often been used to measure the growth of a company (Cowling, 2004; Coad, 2009). This study also used the sales growth rate (SG) to indicate the growth of a business. In order to calculate the revenue growth rate of a company in a particular year, the study measured the growth rate from the previous year to the current year, continuously from 2010 to 2020.

The control variables

Control variables in this study include: firm size (LTA), leverage (LEV), asset structure (TANG) because these three indicators serve as decisive factors in the profitability of a company (Seungkyu Yoo và Jaejun Kim, 2015; Cowing, 2004).

The variables are described as follows:

Table 1: Variable measurement

N	Variables	Scales
1	ROA _{i,t}	Firm profitability _{i,t} = Net profit _{i,t} /Total Assets _{i,t}
2	SG _{i,t}	Sale Growth _{i,t} = (Total sales _{i,t} - Total sales _{i,t-1})/Total sales _{i,t-1}
3	LEV _{i,t}	Financial leverage of firms _{i,t} = Total liabilities _{i,t} /Total assets _{i,t}
4	LTA _{i,t}	Firm size _{i,t} = Ln(Total Assets _{i,t})
5	TANG _{i,t}	Asset structure _{i,t} = Fix assets _{i,t} /Total assets _{i,t}

(Resource: Author's evaluation)

Based on previous research, the study points out the expected impacts of factors on the profitability of listed seafood companies in Vietnam stock market during the 2010 - 2020 period. The finding is described in the following table (Note: the "-" sign represents the negative effect, the "+" sign represents the positive effect):

Table 2: The direction of impact of factors:

N	Factor	Sign	Expectation sign
1	Profit	ROA	+
2	Revenue growth	SA	+
3	Size	LTA	+
4	Financial leverage	LEV	+/-
5	Asset structure	TANG	+

(Resource: Author's evaluation)

Along with controlling the impact of growth and other variables on profitability, the research model is proposed as follows:

$$ROA_{i,t} = \beta_0 + \beta_1 SG_{i,t} + \beta_2 LTA_{i,t} + \beta_3 LEV_{i,t} + \beta_4 TANG_{i,t} + \varepsilon_{i,t}$$

In which: β_0 : constant; $\beta_1, \beta_2, \beta_3, \beta_4$: regression coefficient; $\varepsilon_{i,t}$: error of the model

Data and methodology

This paper used the secondary data of seafood firms to determine growth's impact on profitability of these firms. We used panel data of 28 seafood listed companies on the Vietnam Stock exchange in the period of 11 years from 2010 to 2020. Data were collected from financial statements officially published for a fiscal year from 1/1/N to 31/12/N on both Hanoi Stock Exchange (HNX), Ho Chi Minh Stock Exchange (HOSE) and from the seafood firms' website. Since we controlled for the condition of ongoing business in this period, our sample was well balanced.

Data are analyzed using descriptive analysis, correlation coefficient presented for all dependent, explanatory and control variable and panel data methodology. In panel data analysis, fixed effects model (FEM) and random effects model (REM) are used. Hausman test is used to choose which model is used. The result shows that the FEM estimation is the most appropriate estimation for this model.

Finally, GMM estimation was performed to deal with the problem of missing variables in the model.

4. RESULT AND DISCUSSIONS

Descriptive analysis

Table 3: Descriptive statistics

variable	N	mean	sd	min	max
ROA	308	-.1021993	1.420345	-24.20474	.9019304
SG	308	.0951778	.6997666	-.927888	10.00631
LEV	308	1.044979	2.188554	.0421512	23.17927
LTA	308	27.0526	1.460281	20.04411	30.49918
TANG	308	.2350364	.1444621	0	.9793583

(Resource: Author's evaluation)

The average return on asset of seafood enterprises is approximately -10.2% in the 2010 – 2020 period. Enterprises have an average revenue growth of 9.5%. Furthermore, the average liabilities on total asset ratio is 1.04, indicating that there are a number of companies which keep making losses to the point of making owner's equity negative. The average fixed asset ratio is 23.5%, meaning that on average, a business has fixed assets accounting for 23.5% of total assets.

Table 4: Correlation matrix

	ROA	SG	LEV	LTA	TANG
ROA	1.0000				
SG	0.0942	1.0000			
LEV	-0.3119	-0.0692	1.0000		
LTA	0.3217	-0.0136	-0.3512	1.0000	
TANG	0.0156	0.1355	0.4970	-0.2948	1.0000

(Resource: Author's evaluation)

According to Anderson et al (1990), the pair of correlation coefficients between pairs of independent variables greater than 0.7 will seriously affect the model. The table shows that all the pairs of correlation coefficients are less than 0.7 and are within the allowable range, thus not causing spurious regression.

The Variance Inflation Factors (VIF) of different variables (Table 5) is 1.27, all below 10, so there is no multicollinearity problem.

Table 5: Variance Inflation Factors

Variable	VIF	1/VIF
LEV	1.45	0.689684
TANG	1.41	0.709176
LTA	1.17	0.857299
SG	1.05	0.956763
Mean VIF	1.27	

(Resource: Author's evaluation)

For our sample, the fixed effects method (FEM) is preferable compared with the random effects method (REM). Hausman Test helped identify the better model: fixed model or random model. The test results showed that the random effects model hypothesis is rejected, therefore the fixed effects model is the most suitable in this case.

The estimated results are presented in the following table:

Table 6. Hausman Test Results

---- Coefficients ----				
	(b)	(B)	(b-B)	sqrt(diag(V_b-V_B))
	fe	re	Difference	S.E.
SG	.2298131	.0788182	.1509949	.0401381
LEV	-.1773028	-.2215764	.0442736	.0420716
LTA	.9910383	.2720746	.7189637	.1413252
TANG	4.06887	2.580929	1.487941	.5811047

b = consistent under Ho and Ha; obtained from xtreg
 B = inconsistent under Ha, efficient under Ho; obtained from xtreg

Test: Ho: difference in coefficients not systematic

$$\begin{aligned} \text{chi2}(4) &= (b-B)' [(V_b-V_B)^{-1}] (b-B) \\ &= 58.93 \\ \text{Prob}>\text{chi2} &= 0.0000 \end{aligned}$$

(Resource: Author's evaluation)

The paper used Generalized Method of Moments (GMM) to resolve the problem of missing variables in the model and causal relationship. The estimated results are illustrated in table 7:

Table 7: Estimated results

Arellano-Bond dynamic panel-data estimation	Number of obs	=	252			
Group variable: ID1	Number of groups	=	28			
Time variable: YEAR						
	Obs per group:					
	min	=	9			
	avg	=	9			
	max	=	9			
Number of instruments =	50	Wald chi2(5)	= 305.92			
		Prob > chi2	= 0.0000			
One-step results						

ROA	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	

ROA						
L1.	.2391925	.088245	2.71	0.007	.0662356	.4121495
SG	.7337673	.1577514	4.65	0.000	.4245802	1.042954
LEV	-.3196236	.0660828	-4.84	0.000	-.4491435	-.1901037
LTA	2.079688	.2144908	9.70	0.000	1.659294	2.500082
TANG	5.022894	.9249733	5.43	0.000	3.20998	6.835809
_cons	-57.25254	5.819643	-9.84	0.000	-68.65883	-45.84625

Instruments for differenced equation						
GMM-type: L(2/.)ROA						
Standard: D.SG D.LEV D.LTA D.TANG						
Instruments for level equation						
Standard: _cons						

(Resource: Author's evaluation)

Detecting inappropriate variables in the model: based on the P-value, all variables in the model are statistically significant at 1% significance level.

Sales growth (SG) has a positive impact on return on assets (ROA). This means that a business with a high growth rate will have a higher return on assets. This empirical result can be explained by the phenomenon of rapidly increasing profits. In other words, businesses reduce production costs and improve productivity based on experience, thereby achieving high growth. They will increase the distance between themselves and their competitors and increase the profits of the business.

Asset structure (TANG) is positively related to profitability. The indicator of asset structure represents the proportion of fixed assets in total assets, reflecting the level of capital concentration in a company. In manufacturing enterprises, especially in the field of production, fixed assets often account for a very large percentage of the asset structure. The higher percentage fixed assets accounting for, the higher profits the company will get.

Firm size (LTA) has a positive impact on profitability. This implies that in Vietnam, the larger the size of a seafood company, the higher the profitability.

Leverage ratio (LEV) has a negative effect on profitability. This indicates that the debt ratio increases the cost of financing and thus acts as a constraint of profitability.

5. CONCLUSION

In strong efforts to contribute to comprehensive understandings of impact of growth on the firm profitability of seafood firms, we tried to examine this relationship. The findings from empirical test on the sample of 28 seafood listed firms on the Vietnamese Stock Exchange in a period from 2010 to 2020 indicates that the positive significant impact of growth on the profitability.

The result shows that sales growth (SG), asset structure (TANG) and firm size (LTA) have positive impacts while leverage has a negative impact on the profitability of listed seafood companies in Vietnam stock market throughout the 2010 – 2020 period. This proves that if enterprises increase their sales, expand their firm size and change their asset structure by increasing fixed assets and reducing financial leverage, profits will stay at a high level if other conditions are fixed.

The result of this paper is a meaningful contribution to the seafood industry – one of the key industries of the country, especially when there are lacks of studies analyzing the impacts of factors on the profitability of companies in Vietnam in general and companies in the seafood industry in particular.

Thus, with a view to increasing profits in order to promote the development of enterprises, each company should have appropriate measures. Based on the above mentioned analysis, the authors proposes some recommendations:

First, seafood companies should expand their consumption market in order to increase sales.

According to the test results, sales growth (SG) and firm size (LTA) have a positive correlation with the profitability of fisheries enterprises. Therefore, to achieve the target profit, seafood companies need to pay attention to these two factors. In order to effectively change the size of business, enterprises need to use methods to expand their consumption market and replace outdated machines and technology.

In order to increase consumption, businesses need to solve the problem of product outputs by expanding their consumption markets to potential markets such as Korea, Australia, the Middle East, and Africa... To be able to penetrate these markets, businesses need to have effective trade promotion activities. Besides, products must fully meet the requirement of quality, safety and hygiene in each country. In addition, in order to maintain exportation to key markets such as the US, Japan, and the EU, seafood companies need to properly, sufficiently and consistently maintain the stable quality of their products. Moreover, associations of seafood enterprises also need to control the establishment and compliance with quality standards of companies in the industry so that there is no phenomenon of there are enterprises that meet and maintain the standards, while there are enterprises that fail to do so. Because this will affect the reputation of all businesses in the seafood industry of Vietnam.

In addition to expanding exportation markets, seafood enterprises should take advantage of the domestic market. The domestic market currently accounts for a very small proportion in the revenue structure of most seafood enterprises. However, this is a potential market because people's demand for high-quality seafood is increasing day by day. In order to increase revenue from the domestic market, it is necessary to develop a product distribution system so that seafood products can quickly reach consumers; implementing effective promotional programs. Moreover,

businesses can have strategies to increase sales volume and revenue such as discounting, applying appropriate credit policies for customers.

Second, seafood companies should have an appropriate capital structure.

Leverage in seafood enterprises have a negative correlation with profits. Therefore, in order for businesses to acquire high profits, it is essential to focus on owners' equity. Companies should also take advantage of borrowed capital.

Third, enterprises should develop a proper asset structure to achieve the target profit.

Asset structure (TANG) is positively related to profitability. Therefore, in order to achieve high profits, fisheries enterprises need to pay attention to the details of each type of asset, reducing the proportion of inefficient assets. In the short-term assets of fisheries companies, inventory always accounts for a very large proportion, hence, inventory management plays a crucial role in improving asset utilization efficiency.

Companies also need to consider getting rid of outdated fixed assets and replacing them with more up-to-date, technology-based fixed assets. The application of modern technology will help businesses reduce fuel consumption, increase operational efficiency as well as increase product quality to meet the requirement of demanding markets in the world, thereby, bringing high operational efficiency to seafood enterprises in the future.

In conclusion, the study examined the impact of growth on profitability of selected seafood firms listed on the Vietnamese Stock Exchange for the period from 2010 to 2020. Even though highly attempts in bring about clear evidence cuts via empirical results, our study still remains a lot of limitation with highly demand for future fulfillment: sample size is limited, the study based on secondary data. The sample of the paper could not be expanded in terms of time (years) and space (companies) because the number of listed fisheries companies listed in Vietnam stock market is still limited and many of which have not been listed for a long period. This is understandable because Vietnam stock market is also very young compared with other stock markets in the world. Moreover, it is necessary to have studies on the factors affecting the profitability of listed seafood enterprises in Vietnam stock market with better sample quality in the near future. At the same time, it is also necessary to study the factors affecting the profitability of listed and unlisted seafood companies in the stock market so that the results will be more representative.

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SOME OUTSTANDING ISSUES FOR VIETNAM'S GREEN ACCOUNTING IN THE CONTEXT OF GLOBALIZATION

MSc. Linh Ba Nguyen¹

Abstract: *Green accounting is regarded as a pivotal tool reflecting the impact of natural environment on the economy and a transition towards green economy and sustainable development. This is also a new and long-term approach which is consistent with the common development trend in the world. This new accounting method is likely to bring many great benefits for businesses by contributing to providing accurate, transparent, complete and accountable information, thereby improving the company's image with managers, shareholders, investors, and business partners. However, green accounting is still a relatively new issue for both Vietnamese businesses and management agencies. The article aims to clarify the role and the current situation of green accounting application in Vietnamese enterprises, thereby offering solutions to promote this advanced accounting approach in Vietnamese enterprises.*

Keywords: *enterprises, environmental accounting, green accounting, globalization*

JEL code: *F64, M41, Q56*

1. INTRODUCTION

Sustainable development is composed of three pillars including environment, society and economy. These pillars are interrelated and interwoven (Hamoud Ismail et al., 2018). Around the world, many countries and businesses have made significant progress in both theory and practice related to the environment. This is evidenced by the enactment of a number of environmental laws (Roussey, 1992) and the fact that some companies have adopted environmental regulations. Despite of being concerned about environmental protection, not all countries have enacted environmental laws. Vietnam is one of the countries that has enacted such a law and has taken the necessary measurements to protect the environment. However, the fact is that many environmental products or services have not been properly assessed and fully accounted for in the accounting system, especially the cost of environmental pollution treatment, easily leading to mistakes in management and planning process. Therefore, green accounting is an indispensable tool in enterprises, helping managers control costs, choose the optimal business plan to suit economic and environmental conditions.

Green accounting is a very useful tool for enterprises to develop sustainably. This accounting method can be applied on many sizes of enterprises from small to large scale. Around the world, many countries and enterprises have achieved great success from the application of green accounting. In Vietnam, green accounting is still a new accounting method. There are only some studies focusing on the content of this method. Studies, whose approaches associated with a specific enterprise in

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order to point out the applicable conditions and barriers and propose solutions for the three target groups, namely the State, enterprises and stakeholders, are still limited. Therefore, this article aims to fill the gaps of previous research in the direction of further analysing the current situation of conducting green accounting in Vietnamese enterprises, and give some recommendations to promote the implementation of green accounting by systematizing the basic theory of green accounting and the current problems posed with the application of green accounting in Vietnamese enterprises.

2. LITERATURE REVIEW

Green accounting has been a relatively common issue in the past two decades around the world, being studied in a variety of methods both in terms of methodology and research aspects; for example, carbon accounting, material flow cost accounting, environmental investment appraisal.

Currently, in the world, there are many research projects on green accounting. Asheim (1997) argues that it is necessary to establish a green or environmental accounting system to prevent pollution or damage, especially in the face of increasing influence of the power plant process on natural resources. While, Lafontaine (2002) considers environmental aspects in terms of the economy such as the cost of services and products. Enterprises can reduce natural resource consumption to a greater extent and address consumer environmental compliance requirements.

Betianu (2008) states that, in the modern business world, implementing green accounting is considered an important factor, contributing to limiting the impact on the environment and economic development in developing countries. This study also forecasts that enterprises from all business sectors will implement green accounting to a certain extent in the coming years. Research by Gary Otte (2008) shows that organisations can have certain internal and external benefits by implementing a green accounting system.

Heba YM & Yousuf (2010) examined environmental accounting concepts by exploring techniques for developing environmental reports for government use and to hold enterprises accountable for their external factors. This study also suggests that, in the coming years, enterprises will face challenges in establishing and implementing business strategies related to environmental accounting.

Yang et al. (2020) show that environmental disclosure positively affects the value of listed companies in China. In addition, Murdiawati and Akuntansi (2019) show that the disclosure of greenhouse gas emissions and environmental performance positively affects the financial performance of listed companies in Indonesia.

Lu and Taylor (2018) conducted a study on 500 large-scale US companies covering 20 sectors. Research results indicate that service companies have good environmental practices, in addition, there is a positive relationship between environmental performance and financial performance.

Di Pillo et al. (2017) conducted an investigative study of the relationship between CO₂ emissions and financial performance of 236 Italian companies. The result indicates that the paper and food sector has less CO₂ emissions than other sectors. The study also shows a positive relationship between CO₂ emissions and ROI and ROE.

In addition, Muhammad et al (2015) conducted a study of Australian listed companies. The study shows that there was a strong positive relationship between financial performance

and environmental performance during 2001-2017 and no relationship between environmental performance and financial performance during the financial crisis (2008-2010).

Ong et al. (2014) conducted a study on 100 Malaysian companies listed on the stock exchange to discover the relationship between environmental accounting indicators and financial performance. The result shows that service and commercial companies have a good level of environment.

In Vietnam, the Environment Law was first promulgated in 1993 and the Law on Environmental Protection amended in 2005 but has not yet issued an accounting regime related to environmental accounting in enterprises, but the accounting regime related to environmental accounting in enterprises has not yet been promulgated. The research and application of green accounting in Vietnam is particularly new and is taking initial steps. Therefore, the number of domestic studies on this issue is still limited. Some published studies on green accounting are as follows.

Duong Thi Thanh Hien (2016) proposes that the content of green accounting consists of five basic pillars: i) environmental financial accounting, ii) environmental management accounting, iii) environmental finance, iv) environmental legislation, and v) ethics and relations with the social community. The study also raised the United Nations' proposed model of applying green accounting from the beginning to the preparation of financial statements and environmental management.

Le Kim Ngoc (2011) researches the content of green accounting and the direction of building environmental accounting subject in accounting major training in universities and colleges. Accordingly, educational and training institutions need to add to the corporate accounting curriculum the content of accounting for environmental costs such as environmental costs during production and business activities, environmental costs before and after production and business activities, environmental management costs, and costs for social activities on the environment.

Mai Thi Hoang Minh (2016) systematizes literature reviews on green accounting in the world along with current regulations related to green accounting in Vietnam. Accordingly, the content of green accounting has been studied extensively in the world with typical studies such as Asheim (1997), Gary Otte (2008), and The United Nations Commission on Sustainable Development (2001). However, in Vietnam so far, the concept of "green accounting" has not been studied systematically and extensively. In general, the financial regulations, accounting standards, accounting regimes and contract realities do not provide and satisfy the necessary information on environmental related costs required for decision making on contracts and financial reporting.

3. RESEARCH METHOD

Data collection method

The study conducted a data collection method on the basis of studying existing documents such as Asheim (1997), Lafontaine (2002), Betianu (2008), and Heba YM & Yousuf (2010) and by manipulating logical thinking to draw necessary scientific summaries related to green accounting concepts. By reviewing the scientific literature from various official sources around the world as well as practicing the method of systematizing theory and history, the study has drawn important conclusions about the issues Vietnam is facing when applying green accounting.

Data analysis method

The study uses methods of synthesizing and analysing secondary data on the contents and related issues of applying green accounting in Vietnam.

The study also uses the method of comparing data related to traditional accounting and green accounting to find out the benefits of implementing green accounting in enterprises; from there, proposing solutions for enterprises and related parties to improve the efficiency of applying green accounting in Vietnam.

4. RESULTS AND DISCUSSION

4.1. The necessity of implementing environmental accounting in the operation of enterprises

i. Concept of green accounting

According to S. Sudhamathi, S. Kaliyamoorthy (2014), the main objective of green accounting consists of three basic contents: identifying, collecting, calculating and analysing materials, and materials related to energy; internal reporting and use of environmental cost information; provides information related to other costs in the decision-making process, with the aim of making effective decisions and contributing to environmental protection.

The United Nations has required countries and organizations around the world to implement the environmental accounting system to serve the recording of data related to the business operations of enterprises that impact on the environment. In 2014, the United Nations implemented an application program called "Environmental and Economic Accounting System", also known as Green Accounting.

Meanwhile, Sherine & Jacob & Jolly (2012) argued that the calculation of income and costs from the environment is not easy due to the fact that these expenses are often hidden or difficult to recognize. In addition, revenues and expenditures will be difficult to measure in terms of data aspects of finance and accounting, because it relates to the future and other intangible factors.

Thus, green accounting can be defined as an accounting method that attempts to factor environmental costs into the financial results of a business's operations. Or it can be understood that green accounting is a modern and comprehensive accounting system composed of five main contents including i) environmental financial accounting, ii) environmental management accounting, iii) environmental finance, iv) environmental legislation, and v) ethics and relationships with social communities, in order to record, synthesize and report to an organization to fully reflect assets, liabilities, investment capital, revenues and expenditures for the national green environment (Duong Thi Thanh Hien, 2016).

Green accounting or environmental accounting is a crucial part of green growth, towards the benefit of whole society, that contributes to creating solidity and sustainability for the development of environmental and society resources. The purpose of green accounting is to help businesses understand and manage traditional economic and environmental goals, and then towards sustainable development.

ii. Benefit of green accounting

Environmental pollution, environmental degradation, environmental incidents and adverse changes of nature are affecting human life. In that context, economic development associated with environmental protection has become the leading concern of countries in the world. In order to comply with legal regulations on the environment and demonstrate social responsibility, businesses must invest in environmental assets incurring many costs related to environmental protection such as waste treatment, air pollution treatment...

During the production process, there are unexpected risks impacting on the environment (making environmental pollution), causing enterprises to face many compensations arising, increasing costs, affecting contingent liabilities, which in turn affects stock prices and shareholder interests.

The above fact requires business managers to have accounting information about environmental protection activities arising in the enterprise, in order to manage the business performance. Environmental accounting is an essential tool not only to help businesses meet environmental protection requirements, but also improve business efficiency and competitiveness in the current international integration context.

Green accounting also brings many benefits for not only the enterprise itself, but also environmental protection for society, that help the economy development become greener and more sustainable. Specifically:

Firstly, saving financial costs for enterprises

Experience in developed countries shows that, if enterprises do not use environmental accounting, the fines for polluting the corporate environment are not considered reasonable expenses, causing the profits of enterprises to be reduced.

Additionally, if enterprises accept to spend research costs on production combined with sustainable development with the environment, they can create greater value (especially intangible values such as trust of partners and customers). This means that the costs of fines for causing environmental pollution will decrease, while the enterprise also saves another expense when offering environmentally friendly solutions.

Secondly, contributing to cost management, increasing profits towards sustainable development goals

The application of green accounting, especially environmental accounting, contributes to providing accurate, transparent, complete information and responsibility for corporate profits, revenue and environmental costs, thereby helping to improve the image of the enterprise with the regulators, shareholders, investors and business partners. In fact, the application of green accounting demonstrates corporate social responsibility and business ethics, thereby satisfying and reinforcing the trust of stakeholders. If green accounting is well implemented, the inputs of raw materials, energy and labour will be reduced in the process of creating pollution, increasing the efficiency of resource use, and increasing competitive advantage by reducing production costs.

The effective implementation of environmental accounting helps managers make important decisions such as reducing production costs, increasing productivity, investing in machinery and equipment to produce better and cleaner production. This results in quality products, limiting

inputs such as raw materials, energy, and labour consumed in the process of creating pollution, increasing the efficiency of resource use, and increasing competitive advantages by reducing production costs. This helps enterprises gain competitive advantages in terms of selling price and higher profit, especially minimizing legal problems (fines, cost of remedial risks...).

Thirdly, creating a firm step for enterprises in the process of economic integration

According to economic experts, enterprises with good attitude and behaviour to the environment will have a great advantage in the development process, improving their positions in the domestic and global markets, helping them integrate into the international market more easily.

Effective applications of environmental accounting in enterprises will satisfy and strengthen the trust with stakeholders. State management agencies and environmental organizations are always concerned about economic development going hand in hand with environmental protection. If doing well in environmental protection, it can help enterprises get incentives from these units.

Finally, overcoming the limitations of traditional accounting

Unlike traditional accounting, environmental accounting, which is an important content of green accounting, clearly focuses on the environmental impact of the enterprise's operations, thereby significantly influencing the decisions of external users of accounting information such as customers, investors, state management agencies, citizens... Meanwhile, traditional accounting still has limitations, including not mentioning the costs related to the environment.

It is difficult for managers to obtain information about environmental costs when needed. In addition, the use of the general cost account for environmental costs often leads to confusion when these costs are reallocated to the product cost at the production stages based on product volumes or working hours... This allocation can lead to errors when not correctly allocating some types of environmental costs. (Huynh Thanh Thuy, 2017).

4.2. Some outstanding issues for Vietnam's green accounting

Over the past time, the issue of environmental protection and sustainable development has also been paid attention and implemented by Vietnam. Specifically, the National Assembly enacted the Environment Law for the first time in 1993 and the revised Law on Environmental Protection in 2005.

Then, on November 15, 2010, the Law on Environmental Protection Tax (Law No. 57/2010/QH12) was passed by the National Assembly at the 8th session of the National Assembly XII. On that basis, on August 8, 2011, the Government issued Decree 67/2011/ND-CP providing for taxable subjects, tax bases, tax declaration, tax calculation, tax payment and tax refund. environmental protection.

The Ministry of Finance issued Circular 152/2011/TT-BTC (dated November 11, 2011) guiding the implementation of Decree 67/2011/ND-CP. On September 28, 2012, the Ministry of Finance issued Circular 159/2012/TT-BTC amending and supplementing Circular 152/2011/TT-BTC; Circular 156/2013/TT-BTC (dated November 6, 2013) guiding the implementation of a number of articles of the Law on Tax Administration, the Law amending and supplementing a number of articles of the Law on Tax Administration and Decree 83/2013/ND-CP dated July 22, 2013 of the Government.

Especially, in the new context of globalization, when commitments on environmental protection are getting more and more attention in the new generation of trade liberalization agreements such as CPTPP or EVFTA..., many large enterprises begin to pay attention to sustainable development, and at the same time have environmental protection activities. However, through actual research and survey data from 2011 to now, in the whole country, there are 50 enterprises that have started to apply environmental accounting in enterprises such as cement manufacturing companies and garment manufacturing company. The survey results at enterprises show that

Firstly, in terms of the managers and enterprises' awareness related to environmental protection and green accounting

Applying green accounting in general and environmental accounting in particular is a long-term process, requiring careful implementation, research and investment to create sustainable growth. Thus, there should be a clear awareness of the management agencies and enterprises about the role and importance of green accounting in general and environmental accounting in particular to promote the application of this form of accounting more widely.

With management agencies

Recognizing environmental protection issues in the context of international economic integration and sustainable development, Vietnam has also issued legal documents related to environmental protection. Specifically, the National Assembly promulgated the Environment Law for the first time in 1993, the Law on Environmental Protection amended in 2005, the Law on Environmental Protection Tax (Law No. 57/2010/QH12).

The Government promulgates Decree No. 67/2011/ND-CP dated August 8, 2011 on taxable objects, tax bases, tax declaration, tax calculation, tax payment and environmental protection tax refund; The Ministry of Finance issued Circular No. 152/2011/TT-BTC dated November 11, 2011 guiding the implementation of Decree 67/2011/ND-CP; Circular No. 159/2012/TT-BTC dated September 28, 2012, amending and supplementing Circular No. 152/2011/TT-BTC ...

However, Vietnam has not yet issued an accounting regime related to environmental accounting in enterprises. The current accounting regimes do not have documents guiding enterprises in separating and monitoring production and business costs, and there are no appropriate accounting accounts to reflect environmental costs...

With enterprises

During the development process, many Vietnamese enterprises have identified the right direction, produced products that meet customers' trust in quality, gradually improving the criteria of being friendly to the environment and users. Many enterprises have set and implemented measures to prevent pollution such as equipping a large-capacity vacuum system, attaching importance to industrial hygiene inside and outside the production area. For solid waste, enterprises often contract with urban environmental companies to collect daily, avoiding pollution.

For wastewater, enterprises often invest in wastewater treatment systems. In addition, many enterprises also organize planting and planning of green belts to contribute to cleaning up the environment. Thus, it can be said that enterprises have been paying attention to environmental protection by investing in pollution treatment equipment and machinery, demonstrating high responsibility for the environment and society.

However, in the accounting work, most enterprises do not have proper attention and monitoring. Most enterprises do not arrange full-time accountants to calculate environmental costs and benefits, still maintain the traditional accounting system, and have not yet integrated the information of environmental accounting into the general accounting system. Many environmental costs are generally reflected in administrative expense accounts, making it difficult for managers to detect the scale and nature of environmental costs in general and each type environmental expense in particular.

Secondly, in terms of collecting information on environmental costs and benefits

Vietnam has not established a national environmental database (water resources, minerals, forests; waste treatment technologies; environmental standards sets in each sector, field...) as a basis for the accounting process. The currently applied system of accounting accounts, books and vouchers is not eligible for enterprises to perform environmental accounting when environmental information is not separately recorded. The accounting department of the enterprise also does not have separate environmental accountants. Currently, there are also no guidelines on environmental accounting.

In addition, enterprises use traditional models in collecting information on environmental costs and benefits. This information is mainly presented as monetary form. Enterprises often assume that the environmental costs are small and insignificant. Some of the conspicuous environmental cost items are accounted in a separate category, while other environmental costs are often hidden or included in production overhead costs or administrative expenses. These costs are usually allocated to products and services completed in the period according to the actual production volume completed. The method used to allocate costs is the traditional method with a single basis of allocation, direct raw materials cost, main material cost or labour cost.

Finally, in terms of identifying environmental costs and benefits

The guidance of the current accounting regime stipulates that Vietnamese enterprises shall classify the costs and benefits of business activities according to the management requirements of financial accounting. Most enterprises conduct cost classification in two common ways: classification by cost elements or classification according to costing item.

Thus, enterprises often do not monitor separately the content of environmental benefits along with environmental costs. From the point of view of these enterprises, it is not necessary to separate the environmental costs from production and business costs because those costs are to serve their own production and management activities. Therefore, the actual environmental costs that are actually incurred are usually classified into one of the above cost items.

5. CONCLUSIONS AND POLICY IMPLICATIONS

Green accounting or environmental accounting is a part of green growth, contributing to the stability of environmental and social resources for development. Applying green accounting in general and environmental accounting in particular is a long-term process that requires careful implementation, research and investment to create sustainable growth.

While Vietnam is accelerating the transformation of the growth model, towards the development of a green economy, the application of green accounting and environmental accounting is very necessary, playing an important role in the sustainable development of enterprises in particular and the economy in general. In order to gradually make environmental accounting more and more popular in business operations, in the coming time, it is necessary to pay attention to the following contents:

5.1. For enterprises

Firstly, change awareness of the application of green accounting in production and business activities. In fact, enterprises themselves are not aware of the meaning and benefits of environmental protection in general and the application of green accounting in particular.

The majority of enterprises in Vietnam have not yet carried out the calculation of environmental costs. In addition, many business executives are not aware that the cost of calculating the environmental costs is much smaller than the total costs incurred when they have to pay taxes, fees or fines from acts harmful to the environment.

Secondly, pay attention to the construction and development of qualified human resources. Currently, because green accounting has not been popular in enterprises, the accounting department of enterprises has almost no accountants with knowledge of environmental accounting or specialized environmental accountants. Therefore, in the coming time, enterprises need to pay attention to finding, training and building qualified and experienced accounting departments in green accounting ...

Thirdly, to effectively implement environmental accounting, enterprises need to change their perception and social responsibility for environmental issues. The administrators need to regularly pay attention to updating and implementing environmental accounting in enterprises, especially manufacturing enterprises. At the same time, to attach importance to investing financial resources and human resources in the accounting apparatus, including environmental accounting.

Finally, international experience shows that environmental accounting is often applied to large-scale enterprises with abundant financial resources and strict operating policies. Therefore, for Vietnamese enterprises, in the initial stage, environmental accounting should be tested at a line or a division before mass application for the entire enterprise. In addition, it is necessary to develop a long-term business strategy that takes into account the impacts of environmental standards and regulations of the product.

5.2. For stakeholders

i. State management agencies

The State should continue to supplement and improve the legal system related to green accounting. Currently, the applied accounting system does not have enough conditions for enterprises to perform environmental accounting. Accounting systems of accounts, books and vouchers do not record environmental information separately.

Significant costs related to the environment, such as repair, compensation, troubleshooting costs and costs for cleaning and handling accidents and destruction of ecological environment and living environment have not been recorded on accounting accounts. In fact, up to now, the "environmental" cost factor and the "environmental" income are included in neither a single particular account nor an item of accounting.

Many of the costs related to the environment are generally reflected in administrative expense accounts; and the economic managers cannot detect, cannot see the scale and nature of environmental costs in general and each specific environmental cost in particular. With the policy of sustainable development and "greening the economy" of the Party and State, regulations on green accounting should continue to be added and completed in the coming time.

At the same time, the Government also needs to coordinate with professional associations to promulgate environmental accounting standards, specifying the environmental information presented in the report provided outside the business, to ensure a uniform environmental management. These standards need to study the experience of developed countries applying effectively environmental accounting such as the United States, Japan... in order to approach the international standards.

An indicator system in the environmental report built on a scientific basis, in compliance with international standards, taking into account the specific conditions of domestic enterprises will be an effective tool to manage the environment, and create a level playing field for enterprises to well implement environmental protection activities. Furthermore, it is necessary to study and supplement accounting accounts, accounting principles and methods for environmental activities, and indicators related to environmental activities in the financial reporting system; having mechanisms to encourage and guide enterprises to gradually apply environmental accounting in their operations.

In addition, it is necessary to strengthen sanctions, well implement environmental tax policies for businesses, thereby helping businesses raise awareness as well as fulfil their responsibilities towards the environment and protect the environment. On the contrary, it is also necessary to have a regime to treat, encourage and praise businesses for performing their good social responsibility, thereby widely propagating about the application of green accounting in practical activities.

ii. Professional associations and business associations

It is necessary to raise managers' awareness and qualification in environmental accounting, increase environmental awareness for businesses through enhanced communication about the role and importance of environmental accounting, and organize short-term training courses for enterprises on environmental protection and environmental accounting.

As environmental accounting is a new field in Vietnam, it is essential to understand the nature, benefits and role of environmental accounting in the sustainable development of society in general and enterprises in particular, study and survey international experience on environmental accounting standards in order to propose authorities to complete and supplement this content

iii. Education and training institutes

Universities and colleges in the economic sector need to promote the integration of environmental accounting, environmental management accounting into the vocational education system. Environmental accounting should be considered and included in training programs at

economic schools, especially in accounting and auditing majors at universities, thereby helping to build high-quality human resources. In addition, training institutions should continue to supplement, revise and update to improve the quality of the curriculum on environmental accounting, which should be associated with new contents related to new policies of the Party and State on sustainable green development and taxing environmental protection.

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CONTINUED CONFIRMING THE IMPORTANT ROLE OF THE PRIVATE ECONOMY - IMPORTANT MOVING OF THE ECONOMY IN THE SPIRIT OF THE 13TH PARTY CONGRESS

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Abstract: *The private economy increasingly occupies a large proportion and plays an important role in the country's economic development. The socialist-oriented market economy model initiated and led by the Party has been increasingly completed, under which the private economy has grown stronger in quantity, quality and scale. During the recent congresses of the Party, the private economy was identified as an important driving force of the economy and the State made many appropriate decisions to encourage the private economy to continue to develop. However, the practice of private economic development still has many obstacles and limitations. The article outlines the process of awareness and development of the private economy, clarifies the current situation and causes of limitations, thereby, proposes some solutions to further affirm the important role of the private economy in accordance with the law spirit of the 13th Party Congress.*

Key words: *Private economy, market economy, improvement of economic institutions*

The private economy in our country was born and developed for a long time in history, but so far there are still some different views on the private economy. Based on scientific, theoretical and practical bases, the private economy can be understood from the following angles: From an economic perspective, the private economy is an economic part of the economic structural system. The economy of a country is formed and developed based on private ownership of the means of production as well as personal interests. From the perspective of the subject of Political Economy, the private economy is an economic component in the structural system of the multi-sector economy during the transition to socialism, based on private ownership regimes. on means of production; The private sector is an important component of the national economy.

1. THE PROCESS OF AWARENESS ABOUT THE PRIVATE ECONOMY IN OUR COUNTRY

Before 1986, the private economy had not been properly understood in the socio-economic economy. Starting from the 6th Congress of the Party (1986), the private economy was established in the structural system of the multi-sector economy, which included: commodity production economy (craftsmen , individual farmers, traders, individual service businesses) and the private capitalist economy. However, the category of private economy was officially used only at the 6th Conference of the Central Committee of the Communist Party (term VI) in March 1989. The conference specified the forms of private economy including individuals, smallholders, private capital.

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- Individual economy is a household whose income source is completely based on family labor.

- Smallholder economy: includes the main source of income based on family labor and capital of the family itself, with hired labor.

- Private capitalist economy: based on the form of capitalist private ownership of the means of production, with the exploitation of wage labor.

On March 18, 2002, the Fifth Conference of the Central Committee of the Party (term IX) issued Resolution No. 14-NQ/TW on continuing to renew mechanisms and policies, encouraging and creating favorable conditions. private economic development. The resolution affirms: "Over the past 10 years, following the renovation guidelines and policies of the Party and the State, with the unanimous support and active response of the people, the private economy includes individual economy and small business owners. and the private capitalist economy, operating in the form of individual business households and other types of private enterprises, have developed widely throughout the country; make important contributions to economic development".

The 10th Party Congress continued to affirm: "On the basis of three ownership regimes (all people, collectives, and private individuals), many forms of ownership and many economic sectors have been formed: state economy. , collective economy, private economy (individuals, smallholders, private capital), state capitalist economy, foreign-invested economy. Economic sectors operating under the law are all important components of the socialist-oriented market economy, equality before the law, long-term joint development, cooperation and healthy competition".

The Congress affirmed the important role of the private economy: "as one of the driving forces of the economy". The private economy is diversified, unlimited in size and quantity, highly competitive in all fields and protected by law in the socialist-oriented market economy. Therefore, it is necessary to "Implement the National Strategy on Enterprise Development. To build a system of Vietnamese enterprises that are large in number, highly competitive, with prestigious brands, in which the main ones are a number of large economic groups based on the form of shares.

Continuing to create favorable conditions for the private economy to grow in all fields, the 11th Party Congress emphasized: "Strongly develop all types of private economy in almost all economic sectors and fields according to regulations. plans and provisions of the law. Facilitating the formation of a number of private and private economic groups to contribute capital to state economic groups." The role of the private economy has been gradually confirmed in the economy, so the 12th Party Congress clearly stated: "Improving mechanisms and policies to encourage and facilitate the strong development of the private economy. individuals in most economic sectors and fields, becoming an important driving force of the economy... Encourage the formation of multi-owned and private economic groups to contribute capital to economic groups

Government".

Along with the process of realizing the role of the private economy, the Party and the State have issued many new policies and legal documents showing the consistency of the Party's policy on the private economy as an economic component that has a strong influence on the economy play an important and long-term role in building the socialist rule of law state in our country. The 13th

Party Congress continued to affirm the role of the private economy as an important driving force of the economy, creating a firm belief for the private economy to develop stably and long-term in the economy socialist-oriented market, deep integration into the world economy in association with the country's development tasks for the period of 2021 - 2026 and a vision to 2030, 2045.

The Party's consistent policy, on the one hand, strengthens confidence in the private economy; on the other hand, smashing the misrepresentation of hostile forces that the Party and State of Vietnam develop the private economy in order to "raise fat to eat meat". The achievements of private economic development have been practically tested under the leadership of the Party through congresses, together with the peak of victory and comprehensive development of the country. At the 13th Congress, the Party affirmed: "Our country has never had the opportunity, potential, position and international prestige like today".

In order for the private economy to be truly an important driving force of the economy, the 13th Party Congress determined that it is necessary to better resolve the relationship between the State, the market and society; from there, it is clear that it is necessary to strongly reform the management method of the State in the direction of transferring jobs that the State does not necessarily have to do to social organizations. Therefore, the State must: "Create all favorable conditions for the private economy to develop quickly, sustainably, grow in scale and improve in quality"; resolutely "Eliminate all barriers and prejudices, create all favorable conditions for the development of the private economy; support the private economy to innovate, modernize technology and develop human resources, improve labor productivity. To encourage the formation and development of large private economic groups with strong potential and regional and international competitiveness. Striving to 2030, there are at least 2 million enterprises with the proportion of the private sector's contribution to GDP reaching 60-65%. This new thinking is consistent with theory and practice for the private economy to reach out in the integration trend.

2. SITUATION OF PRIVATE ECONOMIC DEVELOPMENT IN OUR COUNTRY

After 35 years of reform and development of the country, concretizing resolutions and documents of the Party, the State has promulgated many thematic policies and laws (such as the introduction of the Law on Support for Small and Medium Enterprises in 2018. 2017 is a breakthrough in the right and timely decision of the Party and State), creating a legal corridor for the private economy to develop strongly, with the number accounting for over 95% of enterprises in the country.

From not recognizing the category of the private economy (related to the category of exploitation) to the recognition of the private economy (stipulating that party members are not allowed to do private business); from Party members allowed to work in the private sector, participating in business management but not exceeding 13 employees (in the period before 2010), to determine the private economy as one of the important driving forces of the economy. the economy, to determine that the private economy is an important and long-term driving force of the economy that can operate with an unlimited number, scale, professions and fields and is allowed to set up basic organizations. party headquarters in private enterprises. It can be said that perception is a process, as Phenghen once pointed out: Where history begins, the thinking process also begins there.

With the right and timely decisions of the Party and State and the response of the whole people, the private economy is growing strongly, making many important contributions to the country. According to the General Statistics Office, as of December 31, 2018, the whole country had 610,637 operating enterprises with production and business results, of which 591,499 were private enterprises, accounting for 96.9%. , up 9.2% compared to 2017; FDI enterprises have 16,878 enterprises, accounting for 2.7%, up 4.3%; State-owned enterprises have 2,260 enterprises, accounting for 0.4% of total operating enterprises.

Currently, in the private sector, many enterprises have become the "leading cranes" of international stature. From the 12th Congress of the Party until now, Vietnam's economy is known to the world through the names of private economic groups, such as Vingroup, T&T Group, Thaco, Vietjet, FLC, Vinamilk, etc. affect the global supply chain. Many private enterprises achieved high export turnover, making important contributions to economic growth, budget revenue and job creation, and social security.

In addition, the private economy also cooperates with the State to contribute to the prevention and control of epidemics and natural disasters, to help people in distress, to sponsor sports tournaments, football clubs, and economic events. - the great society of the country. Currently, Vietnam has about 29 private enterprises with a capitalization value on the stock market exceeding the figure of 1 billion USD, with 06 billionaires joining the world billionaires club in 2021.

From the practice of developing the private economy in recent years, it can be affirmed that "the private economy is an important driving force of the socialist-oriented market economy", which is one of the four pillars of the economy. stability of the multi-sector economy in our country today. The private sector has generated about 40% of GDP, 30% of the state budget, and attracted about 85% of the country's labor force.

This is the result of changes in institutions, policies, and reform of national administration so that the private economy is constantly growing in all fields, contributing to the realization of the goal: rich people, strong country and people. sovereignty, justice, civilization, firmly walking towards socialism. Besides the achieved results, the private economy still has many limitations, specifically:

Firstly, the private economy has not yet met its role as an important driving force of the economy, reflected in labor productivity and low labor productivity growth rate. Accordingly, "the average labor productivity of the private sector in 2020 is only 34% of the labor productivity of the state economic sector and about 69% of the labor productivity of FDI enterprises". In the list of ten highest tax paying enterprises, there are five state-owned enterprises, five FDI enterprises, and no private enterprises, although the number is many times higher than that of state-owned enterprises and FDI enterprises. Most private enterprises are small and medium sized. Although the number is dominant, the total fixed assets and long-term investment of the private sector only account for about 50% of the total fixed assets and long-term investment of the entire enterprise sector.

Secondly, the association and cooperation of private enterprises is still weak, the clustering is still high, even large economic groups are quite monotonous, and other forms of "soft" linkage have not yet been implemented. through agreements and cooperation in the use of brands, services,

and results of scientific and technological research and application of the current sharing economy. The activities of economic groups and private enterprises mainly focus on a number of fields, such as real estate services, restaurants, hotels, and fast capital recovery industries. The number of enterprises investing in agriculture and building new rural areas is very small. As of June 2018, the whole country had 49,600 enterprises investing in agriculture, accounting for 8% of enterprises operating in the country, but enterprises directly producing agricultural, forestry and fishery products accounted for only 1% of the total number of enterprises with the number of 7,600 enterprises, the rest are enterprises in the industry chain related to industries such as processing agricultural products, supplying input materials, trading services... It can be seen that Vietnam lacks "leading" enterprises to fully participate in the global production and value chain.

Third, the technological capacity of enterprises is still backward, investment in technology innovation only accounts for 0.3% of revenue, much lower than in countries such as India (5%), Korea Country (10%).

Fourth, the private sector lacks "leading" businesses, so the ability to link and create a common voice to improve competitiveness, fully participate in regional value chains and The world has many limitations. Currently, only about 20% of small and medium enterprises participate in some global value chains, 14% succeed in linking with foreign partners, while the number of FDI enterprises investing in Vietnam is very large. but businesses have not exploited and taken full advantage of this.

The limitations of the private economy boil down to the following main reasons:

- Consistency in the implementation of policies and legal documents of state management agencies, professional management and local authorities on business activities and services of the private economy is not high. Although the Government has significantly reduced administrative procedures, there are still overlapping and loose management, problems in institutions, policies and administrative procedures are quite troublesome and complicated.

- Low professionalism, outdated technology, fragmented facilities, large number but not strong, mainly small and micro enterprises; Although business households grasp the market quickly, they are also vulnerable when the market crashes.

- The understanding and approach of the private economy is not adequate with the guidelines, policies and laws of the Party and the State, most of which are business and service activities based on experience, lack of forecasts and follow the market. The investment market "instant noodles" is often risky.

- The private economy has difficulties in accessing land, land prices between localities, bank credit capital, investment in technology, material and technical foundations, training and the use of skilled labor; lack of collective housing and necessary living conditions for workers in large-scale enterprises.

3 DEVELOPMENT SOLUTIONS TO CONTINUE AFFIRMING THE IMPORTANT ROLE OF THE PRIVATE ECONOMY IN THE SPIRIT OF THE 13TH PARTY CONGRESS

Firstly, continue to strengthen extensive propaganda with appropriate forms so that the people properly understand the guidelines of the Party, policies and laws of the State on the

private economy in order to promote the role of "as a driving force in the economy." importance of the economy". Propaganda is also aimed at smashing reactionary claims of hostile forces. They disguised themselves as researchers and scientists, suggesting to the Party that private economic development should be limited in some fields and mainly on a small scale, because strong development of the private economy would lead to to privatize the economy and exploit workers, thereby losing its socialist orientation.

In addition, some other arguments claim that the Party has seen that socialism is no longer appropriate and that the state economy cannot play a leading role in the contemporary economy, digital economy, e-government. Therefore, the policy of developing the private economy is to be an important driving force of the economy in order to replace the leading role of the state economy and move towards breaking away from socialism like the Soviet Union and other countries. Former Eastern Europe... Therefore, in order to strongly develop the private economy as pointed out by the 13th National Congress, it is necessary to have multi-party opposition and separation of powers. Although these are very old and crude claims, the hostile forces repeat the "long-lasting rain" style, in order to promote bad and disgruntled elements to sabotage the Party's renovation line.

Second, create conditions for the private economy to access modern technology, equip new facilities, strengthen training links, foster and update knowledge and in-depth skills for managers, Experts; improve the skills of workers to master jobs in the era of industry 4.0, the digital economy. Technical improvement, creativity in labor to increase labor productivity, save production costs, improve competitiveness in the market and international integration.

Third, settle and create a harmonious relationship between the State, the market and society so that the private economy can participate in many industries and fields with an unlimited number and scale. To encourage, exempt and reduce taxes so that the private economy can boldly invest in agriculture and rural areas in order to mobilize all resources in society, participate in job creation, shift labor structure, and ensure social security society, contributing to building a successful new countryside. Strengthen state management, professional management, supervision, inspection, examination, reward and strict punishment, including disease prevention and control, and create favorable conditions for the private economy constantly developing.

Fourth, strengthen administrative reform and enhance the leadership role in private enterprises. The Party and State have made many appropriate decisions for the comprehensive development of the private economy, making an important contribution to the revival of the country. However, in reality, there are still many obstacles and troubles in administrative procedures, such as tax calculation, determination of investment land price bracket, import and export customs clearance, construction bidding, contracts, etc. appraisal and acceptance of project items. Many businesses complain about procedures and facilitation fees (petty corruption).

Fifth, the State studies and promulgates mechanisms and policies to continue to encourage and support the private economy to thrive in many fields, sizes and levels, and to strengthen bilateral and multilateral linkages and cooperation. with domestic and foreign enterprises. Resolutely remove all barriers on administrative procedures from functional agencies and authorities at all levels to achieve the goal that by 2025, our country will have 1.5 million enterprises and at least 2 million enterprises by 2030 efficient business.

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OPPORTUNITIES AND CHALLENGES FOR VIETNAM ORGANIC FOOD MARKET

PhD. Luong Thu Thuy, PhD. Tran Thi Phuong Diu¹

Abstract: Currently, consumers are increasingly interested in smart, sustainable consumption, as well as environmentally friendly products and services right from production to consumption and use of products. The integration also promotes Vietnam to integrate into the world's trends that are the production and consumption of organic food. Through the article, the author analyzes the situation of organic food production and consumption in the world, assesses opportunities and challenges for the Vietnamese organic food market, thereby proposing some solutions to develop Vietnam's organic food market in the future.

Keywords: organic food; consumption; organic

PRODUCING AND USING THE OWNER'S FOOD IN THE WORLD

Initially, organic food appeared only in high-income developed countries. The US is considered a leader in organic food development, organic food certification and a large market for organic food.

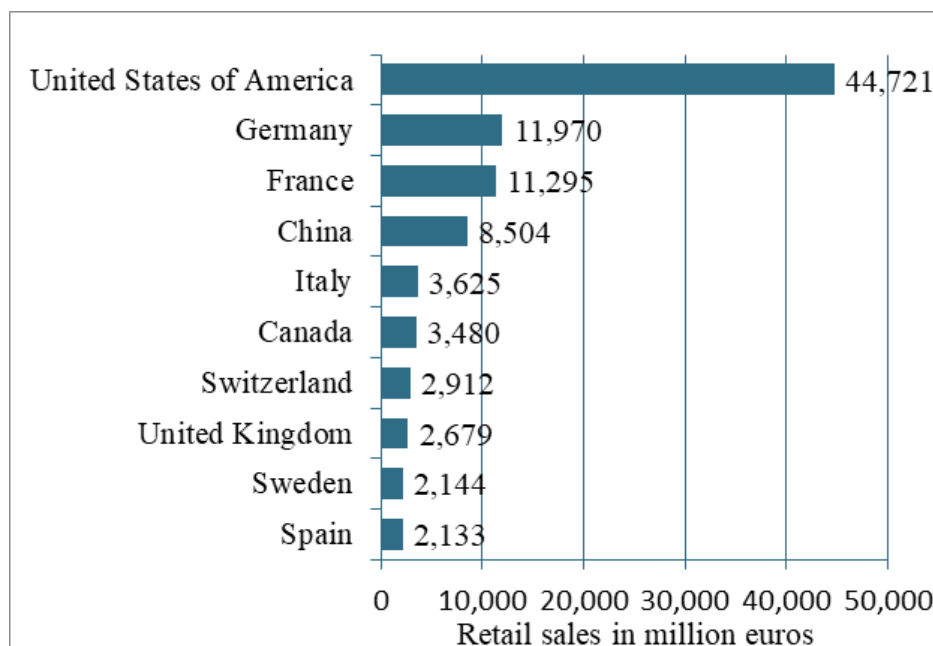


Figure 1: 10 countries with the largest organic food retail sales in 2019 (million euros)

Source: FiBL-AMI survey 2021

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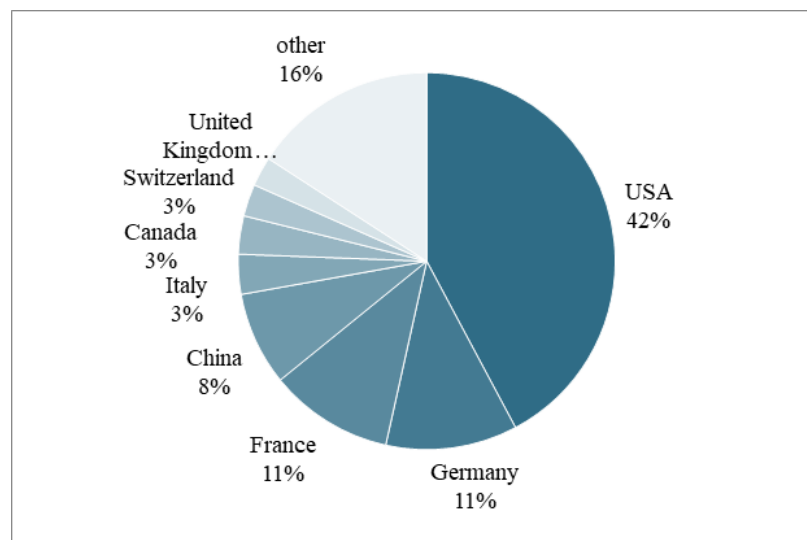


Figure 2: Market share of countries with the largest organic food retail sales in 2019

Source: FiBL-AMI survey 2021, based on retail sales with organic food

Looking at charts 1 and 2, the retail sales of organic food in the US in 2019 were more than 44 billion euros, accounting for 42%, Germany ranked second with nearly 12 billion euros or 11%, France (more than 11 billion euros, accounting for 11%), China (8.5 billion euros, accounting for 8%), Italy (3.6 billion euros, accounting for 3%), Canada (3.48 billion euros, accounting for 3%) respectively occupy the No. 3, 4, 5, 6 in the ranking of 10 countries with the largest organic food market. The country with the highest per capita income in the world, Switzerland, is also a big market for organic food with sales of nearly 2.9 billion euros, accounting for 3%.

In terms of organic agricultural land area, according to FiBL statistics, the world's organic agricultural land area has grown significantly from 43.7 million hectares in 2014 to 75.3 million hectares in 2019. Although in the organic food market Australia has less revenue than the US, It is the country with the largest area of agricultural land with 35.69 million hectares, 97% of which is grazing area, while the US only spends 2.33 million hectares on organic agriculture. In second and third place is Argentina with 3.67 million hectares and Spain with 2.35 million hectares. India, France, China, Uruguay, Italy and Germany spend between 1.61 and 2.3 million hectares of land for organic farming (figure 3).

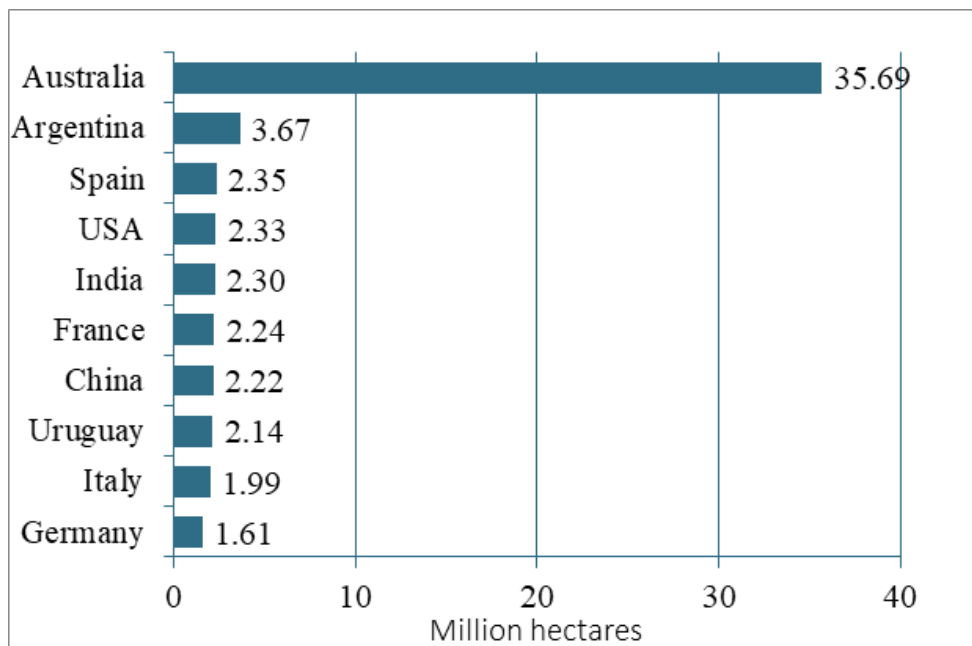


Figure 3: 10 countries with the largest area of land for organic agriculture in 2019

Source: FiBL survey 2021

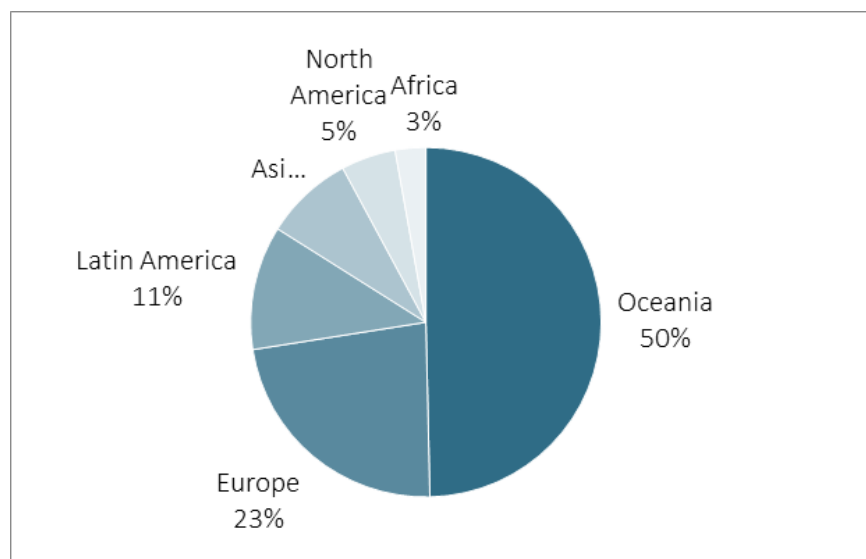


Figure 4: Distribution of organic agricultural land by region in 2019

Source: FiBL survey 2021

In terms of continents, according to chart 4, Oceania spends a lot of area on organic agriculture, accounting for 50% of the world's organic agricultural land, and is also the continent with the highest growth rate. strong in deploying organic agricultural land. This is followed by Europe (23%), Latin America (11%), Asia at 8%, North America (5%) and Africa (3%). (FiBL 2021).

The number of organic agricultural producers in the world in 2019 was 3.1 million. In terms of the number of organic food producers, as shown in Figure 5, India is the leading country

with 1,366,226 producers, followed by Uganda with 210,353 producers. The third, fourth, and fifth places belong to Ethiopia (203,602 producers), Tanzania (148,609 producers) and Thailand (118,985 producers). Italy is both the country with the largest market for organic food and a country with the number of organic product suppliers with 70,561 producers.

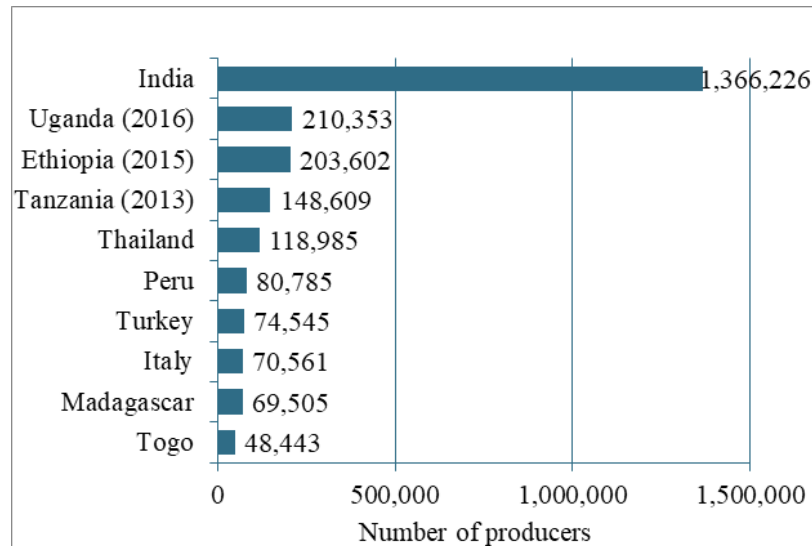


Figure 5: 10 countries with the largest number of organic product producers in 2019

Source: FiBL survey 2021

ORGANIC FOOD MARKET IN VIETNAM

Dirty food “impregnated” with toxic chemicals appears in each meal from meat and vegetables to the small packet of spices that people are using every day, causing serious harm to our health.

According to data from the Ministry of Health, Vietnam is one of the countries with the highest cancer rate in the world, accounting for 35%. In the first quarter of 2016, there were 969 people suffering from food poisoning in the whole country in the first quarter of 2016, of which 669 people were hospitalized, 2 died. Particularly in June 2018, there were 16 cases of food poisoning in the whole country, causing 284 people to get sick, 190 people to be hospitalized and 1 case to die. The annual number of food poisoning cases ranges from 250-500, 7,000-10,000 hospitalizations and 100-200 deaths.

Each year, Vietnam spends 0.22% of GDP on 6 cancers that are mainly caused by dirty food. Specifically, according to national statistics, by the end of October 2018, the whole country had 91 cases of food poisoning (decreased by 40 cases compared to the same period in 2017), causing more than 2,010 people to be poisoned (in the same period last year). In 2017, there were 2,583 cases, a decrease of 24%), of which there were 15 deaths due to alcohol poisoning, toxic mushrooms... Regarding the inspection and sanctioning work, the authorities have inspected and sanctioned 99 companies, the unit violated food safety with a total amount of nearly 6 billion VND. Also, revoked hundreds of licenses specifically related to the advertising of food products.

However, the supply of clean food or organic food does not meet the needs of customers (Lan, 2010) while 93% of Vietnamese consumers have a high demand for organic vegetables (Huong, 2007). Therefore, many households switch to consuming clean food or organic food by

looking for reliable food sources from relatives in the countryside, or growing their own food right on the terrace of their house. In addition, consumers' awareness of clean food or organic food is also increasing when behaviors to protect themselves against dirty food as well as boycott unsafe products, companies take actions to destroy the environment for profit such as boycotting Vedan MSG products of Vedan company. And according to a study by Huong (2007) on willingness to pay for organic products, Hanoians are willing to pay a higher price than conventional food. However, persuading customers to buy organic products is not easy when many people do not distinguish between organic products and conventional products and they feel confused in choosing the right product. safety (Phuong, 2010).

With the goal of ensuring food safety from the production and preliminary processing of agricultural, forestry and fishery products to protect the health of the people, the Government has issued programs to encourage the development of clean agriculture. Organic agriculture such as the Scheme on organic agriculture development for the period of 2020 - 2030 submitted to the Government by the Ministry of Agriculture and Rural Development and just approved is derived from the practice, methods and general orientation of the Scheme on restructuring the agricultural sector. in the direction of increasing added value and sustainable development. The project aims to implement national target programs and promote the potential strengths of organic agriculture of regions and localities, contributing to locating and enhancing the brand name of Vietnamese agricultural products on the map. world agriculture; making Vietnam become a country with the level of organic agricultural production on par with advanced countries in the world. This is also the direction of the Central Government, the Government and the Prime Minister over the years. And the agricultural sector is actively implementing this policy. In addition, organic agriculture is a growing trend and will develop rapidly in the coming time due to the assurance of providing better products for human health and society.

According to the Ministry of Agriculture and Rural Development, up to now, the area of organic farming in Vietnam has increased from 53,350 hectares in 2016 to about 237,693 hectares in 2019. The whole country has 46/63 provinces and cities that are implementing and having an organic production movement. The number of farmers involved in organic production is 17,168.

The number of organic production enterprises is 97 enterprises; participating in exporting are 60 enterprises with a turnover of about 335 million USD/year. Vietnamese organic agricultural products are consumed domestically and have been exported to 180 countries around the world, including the US, EU, China, Japan, Germany, UK, Korea, Russia, Singapore, France, Belgium, the Netherlands, Italy... are the biggest markets for organic agricultural products in the world.

There are only two organic production models in the whole country: private enterprises and farmer households. Private enterprises are the ones that mainly apply international organic standards to produce and partially consume in big cities in the country. Groups of farmers produce mainly organic production according to the standards of the participation guarantee system (PGS) and consume in the domestic market. These groups of households produce on a voluntary basis, do not have pre-consumer orders, have not yet registered to be certified to meet international standards, so the market for products is still uncertain and prices are low due to low prices. has not received the trust of domestic consumers.

OPPORTUNITIES FOR ORGANIC FOOD MARKET IN VIETNAM

In the last few years, the trend of "safe consumption" has been increasingly concerned, the top concern of Vietnamese consumers is safe food and health protection, which is considered a great potential for high-tech agriculture enterprises. Grasping this trend, many domestic enterprises have boldly invested in the field of clean food and organic food such as: VinGroup, Vinamit, Saigon Co.op, AEON, Big C, Satra Food... products from these enterprises supplied to the market were initially well received by domestic consumers.

At the National Conference to promote businesses to invest in the agricultural sector in 2018, Prime Minister Nguyen Xuan Phuc said: *"Domestic demand, organic agricultural products are very developed, sharing experiences, awareness of organic products, identification of difficulties and challenges to mechanisms and institutions in the development of organic agriculture. That sets a direction to propose to the Government to give clearer direction and solve difficulties in organic agriculture."*

According to Dr. Dinh Thi My Loan - President of Vietnam Retailers Association, Vietnam's retail market is a diverse and colorful picture, with many production and commercial models such as: Manufacturer - Trader drive freely; Producers – Outsourcers; Producers actively sell. In which, 85% is consumed through traditional channels and 15% through modern channels (supermarkets, hypermarkets, convenience stores...). *"Consumers have more channels to access clean and organic agricultural products. However, the retail network of these products is still not wide and not much."*

Challenges of the organic food market

Besides the inherent potential, the Vietnamese organic food market is also facing many difficulties and challenges. The biggest difficulty of the organic food market today is the difficulty in linking production and consumption. These difficulties come from all three sides, consumers, manufacturers and retail distributors.

For consumers: it is now difficult for consumers to trace the origin of products, difficult to understand the production process and production standards; Unable to control post-harvest processing stages; Do not know information about preservation, storage and transportation...; could not find suitable agricultural products.

For manufacturers, due to the small scale of production, it is necessary to comply with the TCVN on organic agriculture (effective from December 29, 2017); Failing to grasp safe production technology; Not actively communicating the market; Lack of communication links with retailers and consumers; Weakness in market competitiveness: Design, packaging; Little access to capacity building programs; Depends on free traders/undertaking businesses.

Meanwhile, distributors and retailers do not have a stable source of goods; Risk of quality assurance due to the manufacturer's easy breach of contract; Bear the cost of communication, system construction, storage, transportation, preservation, ... and the biggest is the difficulty in building trust with consumers.

The potential and challenges of Vietnam's organic food market are currently very large, requiring businesses investing in this field to have specific solutions to connect production with

consumption, to increase production. organic products for real value and more popularity, through the participation of retailers. This can be considered as a matter of survival for businesses.

In conclusion

The study analyzed the production and consumption of organic food in the world as well as in Vietnam as well as the opportunities and challenges faced by the Vietnamese organic food market in integration. From the current situation of the organic food market in Vietnam and the trend of organic food consumption in the world, the research makes some recommendations to promote the sustainable growth of this market as follows:

Firstly, the Government and the Ministry of Agriculture and Rural Development should soon promulgate regulations on organic food standards, aiming to be equivalent to the standards of countries that are large export markets for production. Vietnamese organic products are produced and entered the world market more quickly.

Secondly, the Government and the Ministry of Agriculture and Rural Development continue to support farmers in technical training, building organic agricultural chains towards the sustainable growth of the organic food market.

Thirdly, the Government and the Ministry of Agriculture and Rural Development need to have strategies for zoning organic agriculture development areas as well as building symmetrical information on the organic food market to create trust for people. consumption as well as the growth of the organic food market.

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CYBERSECURITY FOR SMALL AND MEDIUM-SIZED ENTERPRISES IN THE DIGITAL TRANSFORMATION PROCESS IN VIETNAM TODAY

PhD. Hoang Ngoc Au¹

Abstract: *Small and medium-sized enterprises play a crucial role in generating economic growth and employment. The ongoing digital transformation process and the impact of the Covid-19 pandemic have forced many small and medium-sized enterprises to accelerate the digitalization of their business activities, thereby bringing a large amount of data and private information to the digital world. That poses an urgent problem for the government in supporting small and medium-sized enterprises to raise awareness and capacity to deal with cyber attacks, with the ultimate goal to ensure privacy and the safety of personal data, which is vital to encourage the maximum participation of society in the digital economy. This article proposes to establish a state agency specialized in the prevention of cybersecurity risks in small and medium-sized enterprises with well-defined functions and tasks, and to develop a cybersecurity risk insurance scheme as a sustainable financial mechanism to deal with this ever-increasing challenge inherent in the process of digital transformation of the entire economy.*

Keywords: *cybersecurity, small and medium-sized enterprises, digital transformation, government policies, cybersecurity risk insurance*

1. INTRODUCTION

Small and medium-sized enterprises have consistently contributed significantly to gross domestic product and are a major source of job creation around the globe (European Union 2021, OECD 2019). In Vietnam, as of December 31, 2020, there are more than 811,000 operating enterprises, up 7% over the same period in 2019. Among them, small and medium-sized enterprises account for the highest proportion with more than 97% of the number of companies, employing nearly 40% of employees and contributing more than 40% of the country's GDP (Ministry of Planning and Investment 2021). With their dynamism and key position in the private sector, small and medium-sized enterprises play an important role in promoting growth and transforming Vietnamese economic structure. This is even more evident in the context of the global Industrial Revolution 4.0 where the Vietnamese Government has been constantly making efforts to develop e-Government and recently moving forward to digital government and digital economy, acting as the locomotive steering the digital transformation in every industry and area of the country.

Covid-19, besides the negative impacts on all aspects of socio-economic life, also plays the

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role of a push, an external event that forces all organizations and businesses, especially the small and medium-sized enterprises, to accelerate the digital transformation process. Since the beginning of 2020 when the Covid-19 pandemic broke out globally, social distancing measures have been imposed on more than 3.9 billion people around the world (ENISA 2021). This unprecedented situation makes e-commerce, remote interaction, online payments, online education, and e-government platforms that have never been implemented or are only popular with a limited number of pioneers before now become part of the daily lives of millions of businesses, billions of people, many of whom have had no prior experience with digital exchanges and the digital economy. This rapid, profound and extensive digital transformation process not only impacts traditional operating processes, but in many cases, also creates a complete transformation of business models, with the opening of new markets and new value-added services and solutions now entirely provided on digital platforms.

The Covid-19 pandemic is an outstanding event showing the importance of digital technology as an indispensable solution for small and medium-sized enterprises to continue to maintain business activities in difficult conditions. However, even if the pandemic will soon pass, most experts believe that the world will not return to where it was before the pandemic, especially in the area of digital transformation. The new normal will feature remote working with digital interaction becoming more common, cloud computing becoming more and more widely adopted. E-commerce, digital economy and digital government will continue to accelerate thanks to the fact that a large part of the world's population now has access to and familiarity with digital products and services during the pandemic. However, along with this process, the number of attacks and phishing in cyberspace will continue to increase and propagate with a scale and scope many times larger than before. The most vulnerable to such attacks, more than anyone else, are small and medium-sized enterprises, most of which are small and micro enterprises whose financial resources and skills for responding to cyber attacks are still very limited.

Being supported and protected against cyber attacks, therefore, is paramount for small and medium-sized enterprises to help them focus resources on their most critical mission of creating economic added-value, growth and employment. From the perspective of designing economic development policy in general and digital transformation policy in particular, the Government needs urgent, co-ordinated efforts to support small and medium-sized enterprises effectively deal with cybersecurity risks in parallel with continued integration and digitalization of the economy. With that premise, this article will focus on clarifying the challenges facing small and medium-sized enterprises in Vietnam regarding cybersecurity in the digital transformation process, especially post-Covid-19, and discuss policy implications to help small and medium-sized enterprises most effectively deal with these challenges. Main contents of the policy discussion emphasize the need to develop a national cybersecurity monitoring framework and establish a sustainable financing mechanism for responding to cybersecurity risks, inspired by the financial stability monitoring framework that has been widely applied to the banking sector and financial institutions to minimize systemic risks. This is a novel approach in the design of national policy and framework for cybersecurity risks monitoring.

2. LITERATURE REVIEW, THEORETICAL FRAMEWORK AND RESEARCH METHODS

2.1. Literature review

There have been many studies confirming the important role of small and medium-sized enterprises in promoting economic growth, job creation and economic restructuring in all countries regardless of geographical location, cultural background, and level of development (European Union 2021, OECD 2019, Yao Wang 2016). Regarding the impact of the Covid-19 pandemic on digital transformation and cybersecurity risks in small and medium-sized enterprises, Tracy Tam et al 2020, based on a research of small and medium-sized enterprises in Australia, highlighted the increase in cyber attacks during the pandemic and recommended that the government to strengthen support measures such as raising public awareness about forms of cyber attacks, developing cost-effective solutions for cyber attacks prevention for small and medium-sized enterprises, and enhancing multi-factors identity verification measures. Also on this topic, a survey report of the European Union Agency for Cybersecurity (ENISA) published in June 2021 titled "Cybersecurity for small and medium-sized enterprises: Challenges and Recommendations" clarified the concept of cybersecurity risks, outlined the challenges currently facing small and medium-sized enterprises, and made recommendations to deal with today's threats, which have significantly increased in the context that businesses are accelerating digital transformation after Covid-19. These studies provide many useful data and recommendations, especially at the micro level. However, in both cases, the authors have not provided an overall cybersecurity monitoring framework at the national level and do not mention a sustainable financial mechanism to deal with cybersecurity risks, which are permanent and constantly changing when small and medium-sized enterprises and the whole society move most of their operations to the digital space.

In Vietnam, there have been many studies on the important role of small and medium-sized enterprises (Central Economic Commission 2019, Chu Thanh Hai 2019) as well as on the digital transformation process currently taking place in this sector (Bui Le Minh 2021, Nguyen Hai Thanh et al 2021, Le Duy Binh and Tran Thi Phuong 2020). However, studies on cybersecurity risks in general, the impact of digital transformation and the Covid-19 pandemic on cybersecurity risks in small and medium-sized enterprises in particular, are only limited to a few articles reporting incidents statistics and raising awareness about the problem (Minh Son 2021) rather than providing solutions and recommendations for governmental policy design to address such problems. According to the author's subjective assessment, this article is one of the first studies in Vietnam that highlighted the importance of cybersecurity risks for small and medium-sized enterprises in the digital transformation process, especially in the context of accelerated digital transformation post-Covid-19 situation. The article then proceeded with making overall recommendations to help the government design and administer cybersecurity monitoring policies, as well as proposing a sustainable financial mechanism to help the small and medium-sized enterprises to cope effectively with these ever-increasing challenges.

2.2. Theoretical framework

2.2.1. Cybersecurity risk

According to the National Institute of Standards and Technology (U.S. Department of Commerce), cybersecurity risks are defined as “risk of financial loss, operational disruption, or damage, from the failure of the digital technologies employed for informational and/or operational functions introduced to a manufacturing system via electronic means from the unauthorized access, use, disclosure, disruption, modification, or destruction of the manufacturing system” (Stouffer et al 2017). According to a survey in early 2021 by the European Union Agency for Cybersecurity (ENISA) conducted with small and medium-sized enterprises founded in one of the 25 countries of the Union, the results showed that more than 80% of enterprises participating in the survey claim to hold important, sensitive data, “information that if it is stolen or lost, the organization would face serious legal repercussions and the owners of the personal information could encounter significant or even irreversible consequences (e.g. misappropriation of funds, blacklisting by financial institutions, property damage, loss of employment, subpoena, worsening of health, inability to work, long-term psychological or physical ailments)” (ENISA 2021). As such, cybersecurity risks, in the broadest sense, are not limited to financial (reduced profits or increased costs) and non-financial (brand value) losses to the business where the risk arises, but also includes the corporate civil liability towards customers, employees, business partners and the government.

Regarding the impact of the Covid-19 pandemic, also according to the above survey by ENISA, the majority of enterprises participating in the survey confirmed that they had moved their information and data systems to the cloud as soon as possible after the social distancing measures were in place and more than 45% of businesses deployed new technologies to access data and interact remotely, which they had never thought of or had not made as a priority before the pandemic hit. In Asia, Cisco’s 2021 “Cisco APAC SMB Digital Maturity Index” report showed that up to 70% of businesses in the region had accelerated the process of digitization due to the impact of the Covid-19 pandemic, and 86% of surveyed businesses believed that digitalization will help develop resilience against crises such as the Covid-19 pandemic (Cisco 2021). However, despite the unprecedented speed and scale of digital transformation, more than 90% of enterprises surveyed by ENISA also confirmed that they did not implement any additional security measures to protect the system and data, except traditional methods such as installing anti-virus software, performing periodic data backups, setting firewalls, and periodically updating operating systems.

With data and customer information increasingly accumulated and concentrated on digital platforms, there are increasing concerns about the security of these technological solutions. Knowing that Covid-19 situation forced many organizations and individuals to increase interaction in the digital space while still not having a thorough preparation of security solutions, cybercriminals have accelerated attacks in times of chaos. Since the beginning of 2020, the website of the Australian Cybersecurity Center has regularly updated information on cyber attacks aimed at defrauding the Australian government’s pandemic assistance program (Australian Signals Directorate and Australian Cyber Security Centre 2020). In the UK, according to statistics from the Cybersecurity Affairs

Watch, in 2020, on average, nearly half of all businesses reported having experienced a cyber attack at least once a year, of which this proportion in small and medium-sized enterprises is approximately 70% (UK Department for Digital, Culture, Media and Sport 2020). The World Economic Forum's Global Risks 2021 report also showed that the risk of cyber attacks and information systems collapse is currently in the top 10 most likely risk categories with the most severe impact on the economic activities (World Economic Forum 2021). In Vietnam, statistics from the National Cybersecurity Monitoring Center under the Information Security Administration showed that Vietnam suffered a total of 2,915 cyberattack incidents in the first 6 months of 2021, an increase of nearly 45% compared to the same period in 2020. To explain this situation, experts say that the current Covid-19 pandemic situation and the increasing digital transformation by agencies, institutions and businesses in Vietnam was the main reason why criminals increased cyber attacks, spread malicious code and scams to destroy and steal information of users as well as that of institutions and businesses (Minh Son 2021, Thu Hien 2021).

2.2.2. Challenges for small and medium-sized enterprises in cybersecurity

Low awareness. Cybersecurity is often understood as a technical issue and only concerns those who work directly in the field of information technology. However, this is completely wrong. The final object in any cyber attacks is information; anyone holding valuable information is targeted by cybercriminals. With most operational processes integrated and data constantly added on digital platforms, every employee of an enterprise is actively contributing to the creation and holding of valuable information on those platforms. Each individual, therefore, needs to have at least some basic, fundamental cybersecurity awareness, because their attitude can affect the cybersecurity posture of the entire enterprise. In fact, most of today's cyber attacks to steal information are not by technological techniques to crack access to an organization's data systems; instead, more than 80% of attacks today are social engineering attacks, using social interactions such as social networking and e-mail to deceive the user, prompting the user to accidentally provide key data for cyber crimes. For large enterprises, the fact that the existing information system is relatively complex, plus the abundant financial resources for training, has made employees more aware of cybersecurity risks. In contrast, for small and medium-sized enterprises, the biggest challenge today is the transition from the perception of a traditional security culture to a cybersecurity culture in which business owners and all employees must be trained to understand online phishing methods, personal device usage rules when accessing corporate data environments, and other basic cybersecurity precautions to reduce the risk of becoming an unwilling victim of cyber attacks, especially non-technical attacks such as emails and impersonated calls asking for personal information.

Budget constraints. Effectively dealing with cybersecurity risks requires significant financial resources (compared to the capital size of small and medium-sized enterprises) to invest in various components, such as: upgrading hardware and device synchronization; inviting experts for seminars and conferences to raise awareness and to advise on cybersecurity controls; hiring technology personnel for on-site support; paying procurement costs, software upgrades and updates, and purchasing specialized cybersecurity solutions. Although there are many large and professional providers in the market that provide synchronous and complete packages of cloud

computing services and information infrastructure specifically for small and medium-sized enterprises, the overall cost for such a system often remains a sizable financial burden, especially for small businesses with an average cash reserve of only approximately 6 weeks of operation (JP Morgan 2016). The reality is that many small and medium-sized enterprises when signing up for a cloud computing service package to respond to the Covid-19 pandemic have not invested in any additional security control package, because such costs are often perceived as too large an expense rather than as an investment that helps prevent a cyber attack that could result in disruption or even complete closure of business activities (ENISA 2021). This fact is worrying about the awareness and level of investment that small and medium-sized enterprises could commit to ensure security for operating on cyber space, especially in Vietnam, where small and medium-sized enterprises are often micro-sized.

Lack of procedures to protect critical information. Digital transformation has caused small and medium-sized enterprises to load a large amount of their sensitive data such as personnel information, customer records, production processes, intellectual property rights, financial plans, etc. to the cyber space. In many cases, businesses still use outdated technology equipment, do not have the process of regularly backing up and synchronizing data or installing anti-virus and firewall software on terminal access devices. Worse still, due to budget constraints and lack of standard processes, many small and medium-sized enterprises cannot afford to deploy enterprise-class access devices to all employees and hence, allowing employees to use even personal devices with lax security standards to directly access the company's internal network. All of these factors make small and medium-sized enterprises particularly vulnerable, a goldmine for cybercriminals to organize attacks to steal data for ransom, sell it to other competitors, or exert pressure in bidding leading to unfair competition.

Lack of a set of rules and standards on measures to prevent cybersecurity risks. Another challenge for small and medium-sized enterprises is the availability and relevance of the guidance in the form of rules, standards, white papers related to cyber security topics. A dedicated set of rules and standards, designed with small and medium-sized enterprises as the central audience, is extremely important because many small and medium-sized enterprises do not have professional and specialized personnel in charge of information technology to apply current codes and standards, which are specifically designed for large organizations with relatively complex information technology infrastructure systems (e.g. ISO 27001: 201314 describes an approach to the design, implementation, operation, control and improvement of Information Security Management systems that, for many small and medium-sized enterprises, require external expert support to understand and implement). Besides the construction of a set of rules and standards that are compliant with small and medium-sized enterprises operating model, it is equally important to enhance the dissemination of this rule as widely as possible. Such rules also need to be regularly updated and revised to keep abreast of the actual situation of technological changes and attack methods, which are constantly changing in the cyber space.

2.2.3. Financial stability monitoring framework and its application in monitoring cybersecurity risks

A healthy and sustainable financial system that ensures the interests of investors and distributes capital efficiently is one of the main goals of every country. To achieve this goal, the financial

supervision mechanism plays a very important role in creating a safe and healthy operating environment for financial institutions and the entire financial system in general. The establishment of a financial supervision model should consider achieving three goals with available resources and optimal costs, which are: (i) Ensuring the stability and smooth operation of the entire financial markets and the economy; (ii) Ensuring the soundness and safety of financial institutions; (iii) Ensuring financial market business ethics and protecting market participants (Nguyen Thi Hoa 2018, Tran Kim Chung 2013). The same goals can be applied to the monitoring of cybersecurity risks in the digital economy, where businesses have an unprecedented level of interaction and interdependence, where ensuring the absolute security of personal data and information, ensuring that the use of such data is limited to what is necessary and for sound purposes, is a fundamental premise to encourage participation and inclusion of all members in society. This is vital to maintaining and developing the digital economy in the long run. Although there are many different models of financial stability supervision in the world, in terms of functions and tasks, these agencies all have similarities: This is where the quantitative and qualitative monitoring criteria are set to monitor the current state of the system, where standards of behavior that members of the monitoring framework must comply with are issued and monitored, where regular forums of dialogue are created to support the monitoring audience and to adjust monitoring content to closely match the reality... (Financial Stability Board 2021). All of these contents and objectives are equally applicable in the field of cybersecurity risk monitoring.

2.3. Research Methods

As a narrow-form policy analysis, the subject is topical, and has never been studied before. To make this article, the research is first devoted to the synthesis of analytical and economic documents and international experiences, thereby building an appropriate theoretical framework to propose reasonable policies. The theoretical basis used to build the policy framework is macro- and micro-economics, development economics, management theory, guidelines and policies of the Communist Party and the Vietnamese Government on the development of small and medium-sized enterprises and the national digital transformation policy. From the collected materials, conduct qualitative research, synthesize theories, analyze and summarize international experiences, from the point of view of dialectical materialism, using deduction to deduce the inevitable consequences, using comparison to make judgments, using induction to draw conclusions, then synthesizing them to propose recommendations and solutions. The data is collected from reliable sources, all figures are cited from official sources such as the Organization for Economic Co-operation and Development (OECD), the European Union, the General Statistics Office and the Ministry of Planning and Investment.

3. SOME SOLUTIONS AND RECOMMENDATIONS TO IMPROVE THE CAPACITY TO DEAL WITH CYBER SECURITY RISKS IN SMALL AND MEDIUM-SIZED ENTERPRISES IN VIETNAM TODAY

3.1. Guidelines and policies

The core of the Industrial Revolution 4.0 is digital transformation with the integration of digital technology, connection technology, hyper-connectivity, artificial intelligence and intelligent data processing. Determining that this is an inevitable development process in the world and Vietnam

cannot stand out of that trend, the Politburo issued Resolution No. 52-NQ/TW dated September 27, 2019 on a number of policies to actively participate in the fourth industrial revolution, which emphasizes the urgent need to accelerate the digital transformation process. On that basis, the Government issued the Action Program to implement Resolution No. 52-NQ/TW, and at the same time, the Prime Minister issued Directive 01/CT-TTg dated January 14, 2020 on "Advancing promoting the development of Vietnam's digital technology", Decision No. 749/QD-TTg dated June 3, 2020 approving the "National digital transformation program to 2025, orientation to 2030". Thanks to such a consistent system of policies and implementation plans, it has created a strong impetus and facilitated accelerating the digital transformation process that is taking place widely across all localities, industries and fields in the country.

However, besides the above major policies, at present, we still lack a specific, clear and detailed policy dedicated to dealing with cybersecurity risks in the small and medium-sized enterprises. Recognizing the importance of small and medium-sized enterprises in the economy and on the basis of properly grasping and understanding the challenges of cybersecurity that are posed to this segment, the author recommends that the Government consider issuing a specific policy to support small and medium-sized enterprises to effectively deal with these threats of cybersecurity risks during digital transformation. With a vision to build a digital economy with strong connections across all industries and sectors, while accepting the fact that small and medium-sized enterprises are one of the weakest links in terms of cybersecurity, the author recommends that the Government consider cybersecurity risks, especially in the small and medium-sized enterprise sector, as a form of systemic risk, with far-reaching consequences if an attack in large-scale is negligent. Identifying this as a systemic risk is crucial in developing a monitoring mechanism and deploying resources to minimize this type of risk, which is the main subject that will be mentioned in the recommendations.

3.2. Establishing a government agency in charge of preventing and combating cybersecurity risks in small and medium-sized enterprises

This agency can be structured as a specialized committee within the National Cybersecurity Monitoring Center under the Information Security Administration or another structure that is suitable for the governance model that Vietnam has established. The basic functions and duties of this agency should be defined as follows:

- Regularly organize surveys, statistics, and dialogues with small and medium-sized enterprises to grasp trends, incidents and issues that small and medium-sized enterprises are concerned about in the field of cyber security, using it as a database to advise and adjust policies. Along with the rapid digital transformation process, conducting these surveys, statistics and dialogues can completely be conducted on digital platforms to increase timeliness, coverage and increase reliability of statistics, facilitating policy making and implementation with latency as close to real time.

- Advise, develop and regularly update the Vietnamese Code and Standards on measures to prevent cybersecurity risks in small and medium-sized enterprises. Regular dialogue with the domestic business community and reference to international experiences is very important to ensure that the Code is always updated to provide timely standards that are close to the realities of Vietnamese conditions, easy to apply and have practical value for businesses.

- Periodically and randomly execute attack scenarios and stress tests of small and medium-sized enterprises against large-scale cyber attacks and individual attacks. Using the test results to dialogue with businesses to warn, draw lessons and to support, propose preventive measures, patch holes for businesses that do not pass the attack scenario or the endurance test

- Support training, provide regular skills training courses, improve awareness capacity and prevent cybersecurity risks in the small and medium business community. Open a hotline, online dialogue system and a consulting office as a one-stop destination for small and medium-sized enterprises when they have questions or need assistance in cybersecurity.

3.3. Establishment of an insurance fund to prevent cybersecurity risks in small and medium-sized enterprises

Along with further promoting data interoperability processes in the digital economy, the issue of cybersecurity risks will be a permanent and ever-changing topic. This is also a type of risk that can be minimized but cannot be completely eliminated. In addition, a cybersecurity risk, if it occurs, often entails serious damage to both the party directly bearing the risk (hereinafter the business) and entails the responsibility to compensate for damage to other stakeholders such as customers, partners, officials and employees and the government.

With such nature, the financial mechanism to support the prevention of cybersecurity risks in small and medium-sized enterprises needs a specific mechanism. On the one hand, the cost of cybersecurity risk prevention, if comprehensively including equipment investment, skills training, and hiring experts, it is a relatively large burden for each small and medium-sized enterprise and hence should be supported by the state. The establishment of the above-mentioned specialized agency with training programs, skills development and consulting centers will help small and medium-sized enterprises reduce training costs and update skills. In addition, in the matter of procuring security solutions and equipment, the agency can also stand on behalf of the small and medium business community to negotiate the procurement in a larger volume, thereby reducing costs for businesses.

On the other hand, because cybersecurity risks are a constant and ongoing issue, any indefinite support mechanism from the state or any other source is not sustainable. The small and medium-sized business community needs to create an appropriate financial mechanism to have the capacity to cope, overcome consequences and recover operations if the risk occurs. In that spirit, the establishment of a Cybersecurity Risk Prevention Insurance Fund in which businesses pay annual insurance premiums and premiums will be used to pay to support member businesses every time they encounter some cyber attacks. The fund's surplus from the premium will be invested in the capital market with a safe return to maintain and improve the risk-paying capacity of the fund. If the surplus exceeds a certain amount, the excess can be refunded to members in the form of a reduction in premiums for the following year. In order to limit moral hazard (the enterprise neglects to take preventive measures after paying the premium because the risk will be compensated), it is possible to apply the mechanism that the enterprise is responsible for a part of the damage incurred before receiving compensation from insurance. Considered a systemic risk and to ensure the widest coverage, this type of insurance should be mandatory for all small and medium-sized enterprises, with premiums that can vary depending on a number of criteria such

as scale of operations, complexity of information systems, data, and level of interaction on digital platforms.

4. CONCLUSION

Along with the strong digital transformation process and under the impact of the Covid-19 pandemic, many small and medium-sized enterprises in Vietnam have quickly accelerated the process of digitalizing production and business activities. As a result, a large part of important and sensitive data has been put on digital platforms, while awareness and capacity to deal with cyber attacks, especially among small and medium-sized enterprises, have barely changed. Given this situation, it is a matter of practical significance for the Government to establish a specialized agency to act as the focal point to manage, supervise and support small and medium-sized enterprises to effectively deal with cyber security risks. The main role of this agency is to research and issue operating standards, regularly monitor the state of cyber security to provide timely support, periodically perform tolerance tests and coordinate with small and medium-sized enterprises to deploy the cyber security risk insurance mechanism, which is a flexible and sustainable financial mechanism to effectively deal with cyber security risks in the environment of enhanced connectivity and constant volatility.

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FOREIGN DIRECT INVESTMENT INTO VIETNAM IN THE NEW CONTEXT

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Abstracts: *After more than 30 years since the Foreign Investment Law in Vietnam was first enacted in December 1987, Vietnam has obtained outstanding achievements in attracting foreign direct investment (FDI). Foreign-invested enterprises have significantly contributed to economic growth (GDP), capital, foreign trade, state budget revenue, and job creation in Vietnam. However, the reality has shown a number of shortcomings in attracting and managing FDI, as the followings: FDI capital in Vietnam has not meet the expectations, the incentives that foreign-invested enterprises received are very large which not commensurate with the benefits that they bring to Vietnam. In the new context, Vietnam expects a number of benefits from signing many Free Trade Agreements with major partners, while it also has to face many challenges and difficulties from the consequences of the Covid-19 pandemic, these problems pose requirement for Vietnam to innovate and adjust policies to attract and manage FDI.*

Keywords: *Foreign direct investment, foreign-invested sector, attracting FDI*

1. INTRODUCTION

As one of the most critical point of economic reform policies, the Foreign Investment Law in Vietnam was first enacted in December 1987 and then became the basic legal framework specifying Vietnam's point of view about opening and integration. There are some fluctuations but the FDI sector in particular and external economic activities in general has shown a positive role in the achievement of growth and development of Vietnam for over 30 years. With the advantage of signing many Free Trade Agreement (FTAs) with mant partners such as: CPTPP (Comprehensive and Progressive Agreement for Trans-Pacific Partnership), EVFTA (EU-Vietnam Free Trade Agreement), VKFTA (Vietnam-Korea Free Trade Agreement)..., Vietnam is considered as a "good land" for high-quality FDI inflows despite the complicated situation of the epidemic. After the Covid-19 pandemic, many large international corporations and enterprises are looking for investment opportunities to diversify the chain. supply and limit over reliance on the Chinese market. Vietnam has become one of the brightest candidates to welcome this shifting capital flow thanks to its success in preventing epidemics.

FDI in Vietnam has major influence on other economic sectors, namely stimulating the domestic investment, creating the competition, promoting the innovation and the transfer of technology, improving production efficiency, and developing the supporting industries that all help Vietnam participate in the value chain of global production. Today, Vietnam has become an appealing destination of many leading corporations around the world in different fields, such as

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BP, Total, Toyota, Canon, Samsung, Intel, Unilever, etc. with products of international quality, which not only has a great contribution to consolidate the position of Vietnam on the region and the world, but has also created the competitive motivation of the domestic enterprises to adapt in the context of globalization. FDI also plays an active role in supporting the process of reform and fulfill the market economy. Beside many positive contributions for Vietnam's economy, there are still limitations in FDI attraction and management that requires Vietnam has to innovate and adjust solutions in attracting FDI in next period.

Therefore, in this paper, the author analyze the current situation of attracting foreign direct investment into Vietnam in the period of 2010-2020, thereby propose some suggestions to improve the quality of FDI attraction in the new context.

2. THE REALITY OF ATTRACTING FDI IN VIETNAM

Since 1987, the Vietnamese government has been committed to opening up the economy and to introduce reforms based on a market economy. The government is improving its judiciary system, leading a strategy of political and tax incentives for foreign investors, and is working hard to uphold its commitments to the international community. FDI has increased considerably since the authorisation of foreign investment in 1988. According to forecasts, FDI will continue to grow, which will consolidate the position of Vietnam as a major Asian nation in terms of attractiveness for investment.

According to the General Statistics Office, the total inward foreign direct investment of Viet Nam in the five years 2016-2020 still had a positive trend compared to that in the period 2011-2015, with 15,139 newly licensed projects with a total of newly registered capital, adjusted registered capital and capital contribution and purchasing shares by foreign investors reached 170.4 billion USD, of which this figure in 2016 reached 26.9 billion USD, 37.1 billion USD in 2017, 36.4 billion in 2018, 38.9 billion USD in 2019 and the figure in 2020 was estimated to reach 31 billion USD.

Vietnam attracted USD 143 billion in cumulative FDI over the past 10 years (2010-2019 inclusive). Of this, 59 percent went into manufacturing – especially in the electronics, textiles, footwear, and automobile parts industries – as many companies shifted supply chains to Vietnam. In 2019, Vietnam attracted USD 20.3 billion in FDI. The government approved the following significant FDI projects in 2019: Beerco Limited's USD 3.9 billion acquisition of Vietnam Beverage; Center of Techtronic Tools' project to develop a USD 650 million research and development center in Ho Chi Minh City; Charmvit's USD 420 million for an amusement park and horse racing field in Hanoi; and LG Display's USD 410 million expansion.

In 2020, FDI registered in Vietnam hit USD 28.53 billion, a year-on-year decline of 25 per cent due to the significant impact of the Covid-19 pandemic, a report from the General Statistics Office (GSO) revealed. About 2,523 new projects were licensed with capital totaling \$14.6 billion, down 35 per cent in the number of projects and 12.5 per cent in registered capital. Meanwhile, 1,140 operating projects were allowed to raise their investment capital by \$6.4 billion, up 10.6 per cent year-on-year. Foreign businesses also invested \$7.5 billion during the year through capital contributions and share purchases, representing a yearly reduction of 51.7 per cent. From January to December, FDI disbursement also experienced a slight decline of 2 per cent to nearly \$20 billion.

In 2020, foreign companies invested in 19 sectors in Vietnam. Of which, processing and manufacturing lured the lion's share of FDI with \$13.6 billion, accounting for 47.7 per cent of the total capital. Power production and distribution came next with more than \$5.1 billion or 18 per cent. Real estate and wholesale sectors were the runners-up with \$4.2 billion and \$1.6 billion, respectively. There were 109 countries and territories with investments in Vietnam. Singaporean firms have invested USD 8 billion in the country, the largest, beating South Korea from last year, 2019. South Korean firms came second (invested capital USD 3.7 billion), followed by China (investment capital USD 2.4 billion). In addition, multiple firms from Japan, Thailand, and Taiwan are also active in the country.

In 2021, the prospect of attracting foreign direct investment in Vietnam is bright in the context that many large, medium and small investors from developed countries gradually divert investment into Vietnam. The foreign direct investment from the beginning of the year to 20th March, 2021 including registered capital, adjust investment capital and total value of capital contribution reached 10.13 billion USD, decrease 18.5% compared to the same period in 2020. Of which, 234 newly licensed projects with a registered capital of 7.2 billion USD, an decrease of 69.1% in the number of projects and a growth of 30.6% of registered capital as compared to the same period last year; 161 turns of projects which were licensed in the previous years registered to adjust investment capital with the additional capital of 2.1 billion USD, a growth of 97.4%; 734 turns of capital contribution and share purchases of foreign investors with a total value of capital contribution of 805.3 million USD, a drop of 58.8%. Including 179 turns of capital contribution capital, share purchase increased charter capital of the enterprise with the value of contributed capital of 281 million USD and 555 turns of foreign investors repurchased domestic shares without increasing the charter capital with a value of 524.3 million USD. Foreign direct investment capital that implemented in quarter I/2021 months reached 4.1 billion USD, a growth of 6.5% over the same period last year. Among the FDI partners to Vietnam, the top 5 FDI partners are mainly Asian countries such as Korea, Japan, and Singapore, the presence of Western countries among the top FDI partners is still there quite low.

3. THE ROLE OF FDI IN VIETNAM ECONOMY

Over the more than three decades of national construction and development, FDI attraction has become a bright colour in the Vietnamese economic picture as it has provided an important and stable impetus for the economy. Vietnam has continuously achieved positive development, always standing in the group of countries with fast development speed, and increasing position in the international arena, people's living standards are improved, the level of international competitive is higher.

Table 1: Economic growth rate of Vietnam by types of ownership

Unit: %

Types of ownership	2011-2015	2016-2019
State sector	4.9	4.1
Non-state sector	6.1	6.9
Foreign invested sector	8.4	10.6

Resource: General Statistics Office

In terms of economic growth rate: In recent years, the FDI sector has always had a higher growth rate than the GDP growth rate of the whole country. GDP growth rate reached about 5.91%/year in the period 2011-2015 and 6.78% in the period 2016-2019, 0.87 percentage point higher than the average growth rate of 5.91% per year in the period 2011-2015. Meanwhile, the economic growth rate of foreign invested sector is about 8.4% in 2011-2015 and 10.6% in 2016-2019. Although in 2020, the economic growth attained 2.91% which is the lowest annual growth rate in the period 2011-2020, in the context of the complicated development of the Covid-19 pandemic, negatively affecting all socio-economic aspects of the countries in the world, this marked a great success of Vietnam in accomplishing the growth rate reached 5.99% per year, not meeting the growth target as planned (6.5%-7% per year). However, Vietnam's economic growth was ranked the highest compared to other countries in the ASEAN sub-region. In the period of 2011-2019, Foreign invested sector contributed about 25.7% in Vietnam's economic growth, accounting for about 13% of GDP in 2010 and 19.6% of GDP in 2019.

In terms of foreign trade, foreign-invested enterprises (FIEs) play an important role and increase sharply with export value accounts about 2/3 of Vietnam's total export revenue, about 3/5 of Vietnam's total import revenue in the period of 2011-2019. Specially, foreign invested sector help Vietnam to have a record trade plus. In 2020, exports of goods by foreign direct invested sector is \$ 204432.1 million (accounts about 72.33% of total export in Vietnam), much higher than domestic economic sector (\$ 78196.8 million).

Import and export of the FDI sector continued to grow in the first 8 months of 2021. The FDI sector had a trade surplus of about USD 16.7 billion (including crude oil). But the trade surplus of the FDI sector was not enough to offset the trade deficit of USD 20.4 billion of domestic business sector, so the country had a trade deficit of USD 1.5 billion in the first 8 months of 2021. The trade deficit level of the country was gradually increased compared to previous months, further warning the negative impact and resilience of the domestic sector before the pandemic. Moreover, according to the Ministry of Planning and Investment, in the first quarter of 2021, FIEs' total export turnover, including crude oil exports, hit \$59 billion, up 28.5% year-on-year and holding 76% of Vietnam's total export revenue. This is manifested by a climb in exports largely created by FDI, such as mobile phones and spare parts (more than 99%), equipment (over 93%), and footwear (nearly 82%), and textile and garment (close to 63%).

In terms of labor and income: In 2020, foreign-invested enterprises (FIEs) have been providing jobs for 4.733 million direct local labors and millions of indirect labors, accounting for about 8.8% of annual employed population at 15 years of ages higher than 7.6% of state enterprises. Labor productivity of FDI sector reached about VND 118 million (2010 price), a growth rate of about 8.7%/year (much higher than the labor productivity of domestic enterprises). According to the Enterprise White Paper in 2020 announced by the Ministry of Planning and Investment, the average income per employee of foreign-invested enterprises is about 11.2 million VND/month, about 1.2 times higher than the average level of the economy.

In terms of state budget revenue, domestic revenue accounts for large proportion. Foreign-invested enterprises have increased their contribution to state budget revenue in recent years (the rate of 10.8% in 2010 increased to about 13.6% in 2020). This is a good sign, but it is still not

commensurate with the actual potential of the FDI sector. This shows that the contribution of FDI to the Vietnamese economy is limited. The FDI sector accounts for about 23-24% of social investment capital but only contributes about 19.6% to the total GDP of the whole economy. However, the FDI sector makes a large contribution and increases the openness of the economy due to the increasing proportion of the FDI sector's contribution to Vietnam's total export value.

According to the Ministry of Planning and Investment, in the period 2011-2018, the profit rate of FDI enterprises reached an average of 6.2%, while the national average was only about 3.85%. However, because the loss due to transfer pricing of many FDI enterprises has not been calculated, the effectiveness of the FDI sector can not be confirmed

In terms of technology transfer: Generally, technology transfer from FIEs to Vietnam has increased in value, but the value is quite low, from VND 33.365 billion in 2011 to VND 166.352 billion in 2019, mainly medium and outdated technology. The number of technology transfer contracts are very few, mainly from a few transnational corporations transferring to subsidiaries in Vietnam. Although the technology transfer value is quite low, some technologies have been transferred in the fields of oil, communications and logistics. American and Japanese enterprises transfer the most information and communication technology, media. In terms of the origin of technology used in the period of 2013-2018, Chinese technology was the most widely used in the non-state sector, increasing from 18% to 20%, followed by Japanese and Taiwanese technology.

In addition, FIEs have also helped Vietnam participate deeper in international supply chains for the past more than 30 years, contributing to assisting the country to get out of international embargo, and resume its relationship with many countries and international organizations. Furthermore, FIEs have also helped Vietnam promote its regional and international stature and prestige.

4. LIMITATIONS IN FDI ATTRACTION AND MANAGEMENT

Although there has been an improvement, the role and contribution of the foreign-invested sector has not been expected as well as the great incentives received. In addition, there are certain shortcomings and limitations in FDI attraction and management, as the followings:

Firstly, the process of attracting FDI has revealed many shortcomings and limitations such as capital still being poured into labor-intensive fields and environmental pollution. Beside, there is also the situation of transfer pricing, tax evasion. There are not projects in agriculture sector and in remote areas and islands.

Secondly, regarding the attraction of high technology: among foreign-invested enterprises investing in Vietnam, only about 5% are high technology, 80% are medium technology, 15% using low and outdated technology. According to the survey of Ministry of Planning and Investment, 66% Chinese enterprises think that their technology is medium technology, 33% think that their technology is low, outdated and consumes a lot of energy.

Thirdly, regarding the development of supporting industries and increasing the localization rate: Although Vietnam aims to raise the localization rate of the auto industry to 30%-40%, it actually reaches less than 10%, components and accessories for automobile assembly are mainly

imported because there are no supporting industrial establishments in the country. The linkages between foreign-invested enterprises and domestic enterprises are low, supporting industries and domestic enterprises are still weak that do not meet the requirements and standards of foreign-invested enterprises, especially transnational corporations. According to a survey of 13,3580 Asia businesses by JETRO (2020), the proportion of spare parts and material purchased by Japanese enterprises in Vietnam accounts for 36.3%, of which they are purchased from Vietnamese enterprises only account for 13.6% of total purchase value.

Fourthly, in terms of technology transfer, management experience and spillover from foreign-invested enterprises to the whole industry and economy: Some state-owned enterprises enter into joint ventures with foreign-invested enterprises with the desire to increase their capital and technology, new management mechanism for development, and Vietnamese managers will be allowed to participate in management, thereby learning and absorbing high technical management experience, but up to now, most of the joint venture enterprises became 100% foreign owned enterprises, with closed operations and management.

Last but not least, regarding to the state budget revenue: Although accounting for 25% of total investment capital of the whole society, more than 70% of total export and import turnover, 50% of industrial production value, foreign-invested sector only contribute nearly 14% to state budget, the lowest among three economic sectors. Notably, in the period 2011-2015, up to 50% of foreign-invested enterprises declared losses but continued to invest in expanding production and business.

There are many reasons for the above shortcomings. First of all, although the legal framework on FDI and related fields has been gradually reformed, this process has been carried out too quickly in compared to domestic capacity, lack of careful preparation in terms of physical capacity. These regulations lead to excessive incentives for some foreign-invested enterprises, while the contribution of this sector to the economy is not commensurate, even having many consequences for Vietnam.

Besides, the strong FDI inflow into Vietnam is also due to the weakness in the legal framework to attract and management for FDI in Vietnam. The legal loopholes and corruption are the causes of many low-quality foreign-invested projects, causing serious environmental pollution, threatening energy and national security, especially transfer pricing and tax evasion.

Moreover, Vietnam has not yet strongly adjusted incentives and sanctions in the direction of increasing the positive impact of FDI and effectively dealing with violations of this sector. The good point is that Vietnam has recently made some adjustments, reduced unnecessary incentives for FDI sector, strengthened the fight against transfer pricing and handled with sensitive projects.

5. RECOMMENDATIONS FOR FDI ATTRACTION AND MANAGEMENT

To overcome the above limitations, the author proposes some suggestions to better promote the role of foreign-invested sector in Vietnam's socio-economy, take advantages of opportunities come from signing many FTAs and face challenges of Covid-19 pandemic in the next period, as the followings:

Firstly, Vietnam should promulgate new guidelines and orientations in attracting FDI to accelerate the economy, enhancing to attract large capital scale and high-tech projects from

developed countries. To implement these effectively, Vietnam needs banned policies to ensure that the attraction of FDI capital is about 20 billion USD, accounts for about 25-27% of social investment capital, and the rate of realized capital is about 70-75% the registered capital. Along with that, Vietnam should increase the proportion of FDI capital from big countries to further develop the electronics industry, manufacture machinery and equipment with high technology, contribute more add values and export capacity. At the same time, Vietnam should boost the development of domestic enterprises in order to contribute to the creation of domestic value chains.

It is forecasted that by 2030, Vietnam will have about 120 million people, continue to be politically and economically stable, Vietnam needs to strongly develop the fields of automation, mechatronics, machinery for the production of goods-electricity-transportation, telecommunications, medicine, shipping, logistics, medical treatment and tourism.

Secondly, Vietnam need to complete FDI attraction policies to ensure synchronization and consistency. From the central to local levels, it is necessary to make strong commitments to accompany with FDI investors, create favorable conditions for investors to do business effectively, stably in long-term. According theory, profits is the top requirement for investors in general. However, it is necessary to have policies to minimize transfer pricing which causes damages to Vietnam's economy. In addition, Vietnam should promulgate attractive policies to attract investors, create competitive advantages for investment environment such as: supporting high quality human resources, reducing or exempting land rent, reducing import tax on equipment and raw materials for foreign-invested enterprises who do business in supporting industries. On the other hand, Vietnam should have policies to restrict medium or low technology projects which use a lot of lands or consume much electricity, cause environmental pollution risks.

Thirdly, training high-quality human resources to meet the requirement of big transnational corporations. Vietnam needs to focus on training mid-level managers and human resources who work in digital transformation field. The Government should prioritize funding support for human resource training for large-scale, high-tech projects in order to develop key sectors and products of Vietnam.

Fourthly, developing domestic enterprises to form a value chain. Vietnam should encourage domestic enterprises to develop in terms of quantity, size and quality capable of connecting with foreign-invested enterprises. This is the requirement in the process of integration and FDI attraction. Accordingly, in the first time, Vietnam should strongly develop the form of linkage between foreign investors and domestic ones to form a system to manufacture equipment and components for assembly for big foreign-invested enterprises, then acquire foreign supporting industrial enterprises step by step. Vietnam is the country which lacks of source technology, modern technology, and materials required by large assemblers, so the Government need to have a feasible and realistic plan to develop strong domestic business force.

Fifthly, evaluating the economic efficiency of foreign-invested sector in whole country. Every year, it is needed to evaluate the economic efficiency of FDI nationwide. To implement this work, the State should enact guidelines for evaluating the effectiveness of FDI synchronously for provinces, in which it has quantitative indicators and ways to assess the damage caused by transfer pricing of foreign-invested enterprises. It is recommended to establish an online portal on FDI and make the results of the effective assessment for businesses openly and transparently.

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IMPLEMENTING CORPORATE SOCIAL RESPONSIBILITY IN THE TREND OF GLOBAL ECONOMIC INTEGRATION

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Abstract: *This article discusses the opportunities and challenges in realizing corporate social responsibility in the current trend of global economic integration and then propose recommendations and solutions to existing limitations. At the same time, helping policy makers to build, supplement and complete the legal corridor for CSR implementation activities of enterprises is conducted smoothly, effectively and in accordance with international practices.*

Keywords: *CSR, corporate social responsibility*

1. RATIONALE

Facing the challenges of global economic integration, of the constantly changing and developing journey in the 4.0, thousands of businesses must stretch themselves in that fierce competition always need the effort of improving and innovating to survive and stand. Multidim development strategies, in both height and depth, both present and long-term, in terms of breakthrough and fundamentalism, are the leading determinants.

One of the strategies in line with these requirements: “Corporate Social Responsibility” has become the top development goal of many businesses today. Beyond being mandatory charitable regulations or jobs, “corporate social responsibility” elevates to a business strategy, when the business activities of the business aim to meet the expectations of society, taking care of the interests of people and the environment. This is the core for businesses to seize the opportunity to develop in depth, sustainability but very humane and timely.

2. METHODOLOGIES

2.1. Research method: The research method used by the authors is the method of analysis, synthesis and comparison to clarify the role and reality of Social Responsibility in the development of enterprises in Vietnam today. From there the authors propose solutions to improve the efficiency of Corporate Social Responsibility in the period of global economic integration.

2.2. Data: Secondary data is obtained mainly from reports of the World Economic Forum on the implementation of Corporate Social Responsibility in Vietnam, from scientific researches at current state level of Vietnam, from articles published in specialized journals on Corporate Social Responsibility in Vietnam today and from a number of research works published in electronic newspapers.

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3. CONTENT

3.1. Introduction

Corporate Social Responsibility (CSR) is becoming a concern for every country in the world. More than 50 years ago, when H. R Bowen published his book, "Corporate Social Responsibility," in 1953, that's when the term "corporate social responsibility" officially emerged. H. R Bowen's book is basically aimed at propagating and urging property managers not to harm the rights and interests of others, calling for charity to compensate for the impact of business on society. There are many definitions of CSR, in which each business, each government organization views CSR from its own perspective, depending on their conditions, characteristics and level of development. Research shows that the relatively complete, generalized and most expressive concept of CRS is the concept that the World Economic Commission on Sustainable Development has put forward:

"CSR is a commitment of businesses to contribute to sustainable economic development through activities aimed at improving the quality of life of workers and their family members, the community and society as a whole in a way that benefits both businesses and the overall development of society."

If in the past to evaluate a business, we only look at financial indicators related to revenue and profit, in recent years CSR of enterprises is also considered as one of the important indicators to evaluate.

Corporate governance in industry 4.0 contributes to supporting the improvement of leadership capacity, comprehensive management capacity in areas including: strategic management, finance, human resources, manufacturing and marketing... for business. The issues are cultural and business ethics, corporate culture and social responsibility in the global economy. It is necessary to have a realistic view, if Vietnamese enterprises are quick, invest in research and product development according to the needs of customers, according to the orientation 4.0, it is very likely that, after the revolution, the business position will be affirmed and enhanced.

In the context of globalization, Vietnamese enterprises must always pay attention to the social environment in their production and business. The worldwide trend is paying more and more attention to factors that encourage businesses to treat them responsibly, especially the responsibility to improve social, environmental and ethical and cultural relations in enterprises. Investors are often interested in fundamental factors such as macroeconomics, governance of the country and the reputation of their businesses in markets with high standards. Thereby implementing the social responsibility of enterprises with the market's motivation on the basis of raising labor standards can bring economic benefits, a harmonious balance between economic and social goals and thus will enhance its brand.

CSR is a big area. The scope of CSR's influence is not only limited to within the business, but it affects many different components of society:

- CSR affects the existence and development of the business itself, affecting the relationship inside and outside the labor contract. Satisfaction between the two sides in each other's legitimate rights and interests in industrial relations on employment, labor welfare, occupational safety and hygiene, building an ethical behavior environment in enterprises ...

- CSR addresses issues within the limits of the business's relationship with partners and entities directly related to the business of the business.

- CSR is designed to address the relationship with traditional and religious customs, cultures and religions of each country and ethnic community. CSR considers issues of equal rights, rights in social life, issues of ensuring credibility in business.

3.2. Impact of Social Responsibility on the sustainable development of enterprises

3.2.1. Implementation of corporate social responsibility in Vietnam in the current context

In the process of global economic integration, CSR has become one of the top requirements for sustainable development for Vietnamese businesses, if some businesses do not take CSR seriously, it will be difficult to have access to the world market.

According to a survey in the period 2015 - 2019, in terms of Economic responsibility, Vietnamese enterprises achieved stable growth, the average double revenue growth rate (CAGR) of enterprises reached 38%, especially the private sector as the growth resource of the economy and the largest average CAGR growth rate was 39.6%.

In terms of labor and employment, by the end of 2017 and early 2018, the total number of workers working in the enterprise sector was about 14.51 million people. In particular, the industrial and construction sector, although having a small number of enterprises, attracted the most workers with 9.3 million workers, accounting for 64.4% of the whole enterprise sector. The service sector has the largest proportion of enterprises in the entire enterprise sector but attracts much lower labor than the industrial and construction sector with 4.9 million workers, accounting for 33.9%. The agriculture, forestry and fisheries sector attracted only 256,683 workers in the sector's enterprises, accounting for 1.8% of the labor of the whole enterprise. The average monthly income of a worker in 2017 reached VND 8.3 million, of which, the state-owned enterprise sector is having the highest average income with VND 11.91 million; FDI sector reached VND 9.04 million; the non-State enterprise sector despite having the lowest income level of employees with VND 7.37 million.

In terms of social responsibility, humanitarian and charitable responsibility, according to research conducted by the Asia Foundation (TAF) in collaboration with the Center for Research, Development and Community Support (CECODES) and the Vietnam Chamber of Commerce and Industry (VCCI) (December 2018) on participation and contribution to social security and volunteer activities for 500 businesses, Of the 389 respondents, 333 (85.6%) were actively involved in social activities, of which 58% identified charity as not for any business purpose and 56 (14.4%) enterprises had little or no understanding of the level of participation of enterprises in social activities. The forms of social and charitable activities of enterprises mainly donating money account for more than 70%, artifacts account for about 40%, but the time that businesses spend on these activities is quite low, when only 10%.

According to Vietnam Report when surveying businesses (February 2019), there are 5 most important social issues that businesses have contributed to solve: 89.3% of enterprises participate in supporting the local community; 64.3% are interested in promoting transparency

in business; 60.7% protected the environment, minimized the environmental impact, 46.4% decreased the unemployment rate and 42.9% were interested in health care. In addition, the survey results also showed that the challenges often encountered when implementing social responsibility in our country, such as the awareness of social responsibility stopped at funding activities (52%), lack of budget (36%), lack of incentive and support policies of the Government (32%), It is not published in the media (24%)... This also shows that part of the attention and investment in social responsibility activities from the authorities and businesses themselves are still limited, not worthy of the important role of social responsibility in improving social life and not fully exploiting the potential of the business sector.

Some large Vietnamese enterprises, when aware of the importance and benefits of fulfilling social responsibility in the conditions of globalization and international integration, in addition to the responsibility to pay taxes to the state, have registered the implementation of social responsibility in the form of commitments to society in protecting the environment, with the local community where the business is closed and with workers.

Domestic companies involved in the implementation of social responsibility have a large number coming from exporting companies. Most orders from Europe, the United States and Japan require Vietnamese companies to apply a good labor regime (SA8000 standard for textile and garment enterprises) or ensure food safety and hygiene (for agricultural and fishery enterprises). Meanwhile, foreign enterprises doing business with Vietnamese enterprises also require to meet good corporate governance standards (for financial and banking companies). Workers in many foreign-invested enterprises are also increasingly interested in protecting rights.

In multinational companies, social responsibility activities are carried out by these companies by codes of conduct, business culture standards and well-executed, highly effective. Examples: Ajinomoto Vietnam's earth cleaning program together; Unilever's personal hygiene education program in mountainous provinces; Western Union's vision restoration program for poor children...

One of the pioneers and successful businesses in initiating CSR activities with practical meaning is Vingroup. Last year, in the business sectors of the group, the trade segment grew the highest, the rate reached more than 900% when the group brought the retail system with many brands VinMart, VinMart +, VinPro, VinDS ... It operates all over the country. One of the nudges of this "big" with the domestic small and medium-sized business community is the announcement event to link with nearly 250 manufacturers to develop goods "made in Vietnam". Accordingly, Vingroup will create maximum incentives to bring domestic goods into the group's retail chain, especially in the field of food supply, commit to distribute without interest, returning revenue partners in accordance with the listed retail price. Explaining, Vingroup said it wants to create more resources for businesses to reinvest in product quality. At the same time, the private group also encourages suppliers to adjust their selling prices to support consumers.

In fact, many businesses do not fully understand the important role as well as the benefits from the implementation of social responsibility, so they have not seriously implemented their social responsibility. This is manifested in the acts of fraud in business, financial statements, failing to ensure labor safety, production and trading of poor quality goods, intentionally polluting the environment. Typically, untreated wastewater discharges cause serious environmental pollution

to rivers and communities of Miwon Companies, Hao Duong Tanning Company, Viet Tri Paper Company, Hyundai Vinashin Company (Khanh Hoa), the production of foods containing substances harmful to human health, such as soy sauce containing cancer-causing 3-MCPD, pho containing phormol, foods containing welding the, milk containing melamine. In addition, many enterprises violating the legal provisions on wages, insurance regimes, occupational safety issues for employees are no longer a rare phenomenon, which has been causing stress to society.

For foreign-invested enterprises (FDI), in addition to the above successes, social responsibility in recent years also revealed many shortcomings, notably: Quality is not commensurate with quantity; FDI projects have average technology compared to the world (80%), A significant portion has outdated technology (14%) and only 6% have high technology. Even in the case of Nokia, Samsung... The production stages in Vietnam are mostly at the end stage, i.e. only assembled, do not require high-quality labor and advanced technology. In addition, due to many FDI projects put into outdated technology lines, not self-conscious in complying with environmental protection regulations, it has a negative impact on the environment such as Vedan Company in Dong Nai, Tung Kuang Company in Hai Duong, Long Tech Company in Bac Ninh and recently Fomosa Taiwan Company in Ha Tinh ... At the same time, fdi enterprises indiscriminately exploited mineral resources from oil and gas to coal, ore ... It has been causing great loss of Vietnam's non-renewable resources.

Many FDI projects still have social insurance debts, labor disputes, with thousands of strikes demanding benefits on wages, bonuses, overtime, half-time breaks and other benefits between workers and employers... In particular, the situation of labor in the FDI sector unemployed after the age of 35 is becoming an alarmingly increasing trend in terms of corporate social responsibility for labor and social security pressures from fdi enterprises...

3.2.2. Impact of Social Responsibility on the sustainable development of enterprises

a) Impacting objects related to business activities of enterprises

For workers: The majority of workers love their jobs due to good working conditions and reasonable compensation, so in addition to paying decent, prescribed, non-discriminatory wages, they are also interested in whether businesses have good treatment and training policies and have a favorable working environment? This is also the responsibility of the business to the employee. These basic conditions, although simple, not all businesses are conscious of doing so. Businesses that meet these requirements also mean that they create a team of loyal, engaged, job-loving workers, proud of their business image and determination to work for the common good of the business. As a result, the actual cost, opportunity, energy, as well as the mental losses caused by constantly searching and training personnel are significantly reduced. The benefits achieved here, obviously in addition to the economic benefits are clearly enhanced there is also a culture of cohesion at the enterprise. A strong corporate culture will positively impact not only the business itself but also spread very well in the business community. This is what every business wants to build.

For shareholders: The focus of the business's responsibility to shareholders is to publish transparent information, run the company effectively and use reasonable capital. Transparent disclosure, effective company governance, and reasonable use of capital to create added value are

the things that need to be done for any business for the sustainable development of the business itself. In this way, it will create trust for investors, as well as minimize conflicts of interest in the operation of the business.

For customers: The social responsibility of the business is reflected in the sale of products that meet the needs of customers, reasonable prices, on-time delivery and safety for use ... When businesses have a good relationship with customers, they will understand customers better, grasp the needs of customers, from which the business will have a competitive advantage in terms of products. In addition, understanding what their customers need and creating products to meet their needs, businesses will attract and retain loyal customers and gradually expand market share.

According to Nielsen global market research company's Sustainable Development report (2017), Vietnamese consumers have the highest social and sustainable development spirit in Southeast Asia. Up to 86% of Vietnamese consumers are willing to pay higher to buy products and services from sales companies that have a positive impact on society and the environment. In addition, factors related to the commitment to sustainability that influence consumers' purchasing decisions in Vietnam are highly appreciated by consumers such as: products known as healthy and beneficial products for the body (77%) and products of natural origin, Fresh and organic ingredients (77%), products with high safety standards also account for 76% or products of enterprises with environmental responsibility commitment (62%), commitment to accountability for social and community values where consumers live (62%)[2]. And according to a 2017 National Forest survey, 81% of customers choose to buy environmental protection products and 73% of workers will be loyal to their boss who is actively involved in charitable activities. Therefore, businesses in Vietnam not only compete in goods, prices, quality of services ... But also see social responsibility as one of the sustainable competitive strategies to build a loyal customer system.

For the community: The task is first to protect the environment, protect public health and then social work, humanitarian, charity. Green investments are a matter of concern for many countries, especially in developed countries. Tackling environmental pollution, depleted natural resources, climate change and today's social problems is the responsibility of everyone, especially businesses. Environmental protection enterprises, in addition to fulfilling their responsibilities in complying with state regulations, enterprises will also reduce other costs in compensation and remedial consequences caused by themselves. Not only that, state management agencies also tend to favor businesses with good history of environmental protection, consumer protection and active participation in social and charitable activities. That will become an advantage and advantage for the business in the process of operation. And in fact, today's business leaders understand very well the role of social activities, philanthropy, community development that will help position the business, build the image and promote the brand of the business to achieve further success in the future, He also paid attention to exploiting the benefits of these activities.

b) Impacting the business itself

Increase business profits: Goldman Sachs' report on six industries: Energy, mining, steelmaking, food processing, beverages and media has shown that businesses whose leaders adopt social and environmental policies to create a sustainable competitive advantage, They have achieved a lot of success in the stock market, with an increase of more than 25% a year. In each

individual business sector, 72% of enterprises perform business social responsibility better than their competitors in the same industry. The survey was conducted by the Institute of Labor And Social Sciences with 24 footwear and textile enterprises and the results also showed that their adoption of social responsibility initiatives helped increase revenue by more than 25%, labor productivity increased to 34.2 at VND35.8 million per person a year; The proportion of exports increased from 94% to 97%. Thus, it can be seen that the implementation of corporate social responsibility has contributed to increasing profits for enterprises through reducing costs in the production and business process, thanks to the application of clean production technology. Along with economic benefits, these businesses also build a good image in the eyes of the community, customers, gain satisfaction and loyalty from customers, attract more skilled workers and talents for their businesses.

Cost savings: Effective human resource management also contributes to cost cutting and improving labor productivity. Fair compensation policies, safe working conditions and hygiene, the opportunity to be trained to develop professional skills, education and health care to facilitate and motivate workers to work more productively and more effectively. More employees are more engaged with the business, which means reducing the cost of recruiting and training new employees. At the same time, investments that support local economic development can create a better source of labor, cheaper and more reliable supplies and as a result of increased revenues.

Positioning and differentiation of brands: This is something that businesses are interested in and is considered one of the top goals of businesses when deciding to fulfill social responsibility. The implementation of corporate social responsibility can help businesses increase brand value and reputation, help businesses increase revenue, attract partners, investors and employees. Creating a reputation for a brand based on the realization of social responsibility can create a sustainable competitive advantage, however it can only be the result of a long, enduring process that requires perseverance to achieve.

Attracting labor: Currently, the problem of attracting a qualified workforce is becoming increasingly difficult, especially in industrial enterprises that do not have a proper view of corporate social responsibility. Dangerous and stagnant (3D: dirty, dangerous, dull) lacks high-quality labor, attracting and retaining workers with good expertise and long-term commitment is a challenge for businesses. Therefore, the implementation of social responsibility is essential for the recruitment activities of the business. At that time, businesses with fair and transparent compensation regimes, good treatment policies, focusing on training and health care for employees and building a good working environment will become a re-effect to attract good human resources to businesses. At the same time, the policy of implementing social responsibility within enterprises such as implementing policies on equal and fair treatment between male and female workers, between new workers and long-term workers in enterprises also contributes to the implementation of social justice in general.

4. ISSUES AND SOLUTIONS

4.1. Issues

Standing on the threshold of comprehensive integration, compliance with the commitments on social responsibility of enterprises is the first condition. But beyond the efforts and results that

have been achieved, it seems that the importance of SCR in the sustainable development of the business and its implementation has not been promoted to pay enough attention, stemming from a number of fundamental issues:

1) Business awareness of CSR is limited.

According to research by the Central Institute for Economic Management, most Vietnamese enterprises do not understand social responsibility properly. Enterprises are not fully aware of the meaning and impact of social responsibility on the business itself and the Vietnamese economy. According to statistics, only 36% of respondents have a social responsibility monitoring department and about 2% of enterprises say they are currently members of the group implementing social responsibility standards, 28% of enterprises comply with environmental protection, 5% of businesses admit to contributing to medical care. In addition, the attitude of Vietnamese enterprises, especially private enterprises towards the role of social responsibility, is not really serious. Their common concern is only how to achieve economic profit in the context of increasingly fierce competition and consider the implementation of social responsibility only as a legal obligation mandated by the State, including charitable and humanitarian activities. Therefore, it is not determined that the implementation of social responsibility is to start right in the enterprise, has not actively implemented programs to implement social responsibility as a serious and long-term strategy of the enterprise and is less interested in coordinating social responsibilities in the long-term business strategy of the enterprise.

Many businesses simply understand CSR as charity, but do not understand that the implementation of CSR is to be expressed directly in the entire production and business activities of enterprises. Therefore, in fact, there have been many businesses, on the one hand still actively participating in humanitarian and charitable activities, but on the other hand still rushing into the cycle of unfair business profits in the style of profiteering, not transparent, taking advantage of loopholes of market mechanisms and policies issued by the State to make a profit. The situation of taking advantage of each other's brands to make counterfeit goods, counterfeit goods, poor quality goods is still common in our country. Not to mention the situation that many large enterprises, including some state-owned corporations, have not only taken advantage of the state brand, but also took advantage of the state budget (actually misappropriating state capital) to do business and trade in items that are not in the right functions assigned, so that when making a big profit, it is divided internally, and when there is a loss, the state budget must bear ...

2) Lack of financial and technical resources to implement CSR standards (especially for small and medium-sized enterprises).

For businesses that are aware of the importance of implementing social responsibility in the business strategy for sustainable development, there is not enough financial, human and technical capacity to apply international standards where the material ground is higher than the material ground of Vietnam, Especially for small and medium-sized businesses. In Vietnam, small and medium-sized enterprises account for 97% of the total number of enterprises. Therefore, without the attention of the Government and local authorities to facilitate support, these businesses are unlikely to have access to international standards of social responsibility.

3) The mandatory legal environment is not really suitable and effective.

One of the difficulties to implement the standards of corporate social responsibility is the shortcoming and simplicity of Vietnamese legal regulations with international codes of conduct, the overlap of regulations of ministries and sectors. On the State side, we have not yet developed codes of conduct and standards on corporate social responsibility; On the business side, not many Vietnamese enterprises have a standard code of conduct applied in their production and business activities to guide the implementation of social responsibility. Therefore, it has not created an environment, the legal framework - the most effective measure is mandatory to support ethical solutions in the implementation of corporate social responsibility. However, this is also a big challenge for Vietnam in the context of the need to attract foreign investment today, because if the environmental and social goals are attached too seriously, it is difficult to attract foreign investment. But without high demands on the implementation of social responsibility, the results of economic growth are unlikely to offset the environmental and social consequences and thus will not achieve the sustainable development goals.

4.2. Solutions

Firstly, it is necessary to propagate and educate all businesses about the meaning and importance of CSR in the integration period.

First of all, business owners need to grasp the spirit of corporate social responsibility in the development of their own businesses, they need to understand that CSR is not just about charity work. The propaganda and education of SCR is very important, because all human behaviors are through human consciousness, driven by their consciousness. Therefore, it is important to make the implementation of corporate social responsibility an internal motivation for business owners. The exercise of social responsibility should first be seen as a moral act and driven by moral motives.

Through various channels, it is necessary to strengthen information and propaganda so that people understand the nature of the problem of "Corporate Social Responsibility" and code of conduct, especially in businesses, managers, macro policy makers.

It is necessary to regularly carry out surveys, surveys and practical research at enterprises that have implemented and will implement code of conduct, especially in enterprises in industries that are participating in the export of key Vietnamese products such as leather shoes, textiles, frozen seafood,... to see the advantages, difficulties, challenges and barriers, from which there are appropriate solutions to implement.

Second, building a legal corridor obliges businesses to exercise their social responsibility fully and seriously.

This relates to the state's responsibility to create an environment and a legal framework for the enterprise to operate. The legal framework is the most effective measure for the implementation of corporate social responsibility; At the same time, it is a solution that effectively supports the ethical solution, making the moral motives regularly strengthened and increasingly effective in practice. The difficulty for Vietnam and developing countries in general is that in the context of the need to attract foreign investment, if environmental and social goals are placed, it is difficult

for businesses to attract foreign investment. But, without strongly placing the issue of corporate social responsibility, the environmental and social consequences will not be offset by the results of economic growth. The sustainable development goal, therefore, cannot be achieved.

The State should promulgate supporting mechanisms and policies so that enterprises can fulfill their social responsibility. In the process of implementing social responsibility and codes of conduct, businesses need to have large costs, even investment costs, for example investment to improve sanitary conditions and working environment. These expenses, sometimes enterprises cannot tolerate, so with a priority and preferential policy, the State can lend from the development assistance fund, trade promotion fund,...

Third, establish a team dedicated to social responsibility in each enterprise with a team of quality human resources.

The common practice in Vietnamese companies is that corporate social responsibility activities are often not carried out consistently and frequently. The basic reason is that there is no specialized unit in the enterprise social responsibility. Therefore, in order to improve the current social responsibility of enterprises, it is necessary to establish a specialized team of scale and components suitable to the organizational structure of the enterprise, including the departments related to the central issue of social responsibility that the enterprise has chosen. On the other hand, in the specialized team, members need to have a general to in-depth understanding of corporate social responsibility, be able to hire more external experts to participate as a member and to advise the specialized team and the company on corporate social responsibility issues to plan implementation strategies and propose overall solutions for the implementation of corporate social responsibility to achieve the expected effect.

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SMART HEALTH – SMART CITY

A CASE STUDY FOR PROTECTING COMMUNITY HEALTH IN VIETNAM

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Abstract: *In the general trend of global development, all countries aim to apply scientific and technological achievements in order to improve the quality of life and the efficiency of social production. Smart cities have also since formed with many goals in terms of environment, economy, education, and health care ... The smart applications used in these fields are researched and built by the Private Sector. Through the investment of the State, the Private Sector and the Government have effectively cooperated towards a smart society in which the Government plays the role of creating and coordinating, the Private Sector implements and directly provide products. This article would like to give a typical example in Vietnam about the application of technology in health protection community for the Covid-19 pandemic. This could become an inevitable popular trend in smart cities in the near future.*

Keywords: *smart cities, health care, application of technology, Private Sector*

1. BACKGROUND OF SMART HEALTH AND SMART CITIES

Urbanization is a non-ending phenomenon. Today, 54% of people worldwide live in cities, a proportion that's expected to reach 66% by 2050. Combined with the overall population growth, urbanization will add another 2.5 billion people to cities over the next three decades.

Environmental, social, and economic sustainability is a must to keep pace with this rapid expansion that is taxing our cities' resources.

Nowadays, with the strong development of information technology, social life is increasingly developed. Besides that, population growth and urbanization are also exploding, leading to innovation for integrating technology into city service design. This has created the essence of the smart city.

In general, a smart city is a city that uses technology to provide services and solve city problems. A smart city does things like improve transportation and accessibility, improve social services, promote sustainability, and give its citizens a voice.

Smart cities rely heavily on sensors to recognize parameters such as temperature, humidity, allergens, traffic conditions and grid conditions ... In smart cities, technologies are linked together mainly through sensing devices; cities are connected by Wi-Fi networks (in the future it will be Li-Fi with Internet by light technology, it can completely replace Wi-Fi with faster connection speeds and more stronger security because the light cannot pass through the wall). Because it is connected

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to each other by the internet, smart cities will greatly support transportation; energy systems; solve environmental problems and respond urgently to social security issues; ... especially smart health care issues.

According to the authors Oliver Gassmann, Jonas Bohm, and Maximilian Palmié, the health care system is a major factor that constitutes the second factor of six elements which have made up a smart city. They are: (1) *smart environment*, (2) *smart life. living*), (3) *smart economy*, (4) *smart mobility*, (5) *smart government or governance*, and (6) *migration smart people*.

Today, we have many technological devices to help people take care of their health in the smartest way. The IoT (the Internet of Things) has changed a lot in the way we live, work and stay healthy. The IoT facilitates the storage and provision of patient treatment records, eliminating the risk of human error, and supporting remote emergencies. Hospitals and physicians have access to episodes patient's medical data before they arrive at the hospital. This is of great significance in an emergency because any delay or malfunction can lead to the worst consequences.

The aging population and the proliferation of chronic diseases around the world increase the need for human health care solutions. Remote monitoring is a proven solution that reduces pressure on hospitals, reduces healthcare costs, improves home care for patients, and supports care for the elderly and sick people. chronic. Traditional health monitoring models are often time-consuming and inconvenient for users, and IoT healthcare solutions support smarter, more accurate and timely treatments.

IoT technology is becoming more and more influential in the healthcare sector by making it easier for medical service providers to follow patients between visits. At the same time help to make future treatment regimens effectively and promptly. As a result, the patient receives better care.

2. TYPICAL EXAMPLES TAKEN BY GOVERNMENTS IN PARTNERSHIP WITH THE PRIVATE SECTOR IN SMART HEALTHCARE

As countries move towards smart city projects and use IoT devices in every aspect of their lives, smart healthcare projects also become a must for managers. The Private Sector is effective in building and developing IoT applications. The Government plays an important role in making these applications popular in people's lives on a large scale.

UAE- Dubai

In year 2015, United Arab Emirates (UAE) approved a cabinet backed plan on establishing a unified national health database. The plan aimed to connect all hospitals and clinics for creating effective database about patient's medical history, ailments, surgeries and tests conducted. By unifying the data, patients can move across hospitals and clinics seamlessly. The goal is to save time and cost of patients and also help doctors in effective diagnosis. The data collected will be used for better research practices, innovations and collaborations with healthcare professionals.

By investing in smart and high - quality health care system the country aims to create a competitive edge in the healthcare market and tap in the medical tourism.

Apart from medical benefits, there are also institutional benefits of high - quality healthcare systems. It provides better resource, inventory and food management, minimize medical errors,

reduce overcrowding in hospitals, and effectively dispose medical wastes. Also, a comprehensive database of medical records save cost of insurance companies.

Australia

In South Pacific region, Australia has tremendously worked on its health care sector. In terms of efficient health services, life expectancy rate and better life index it has continuously ranked in top ten positions in past few years. The country attracts considerable medical tourism in the region. It excels in telemedicine and telehealth services and boosts excellent public private hospitals. The country aims to double the expenditure on smart healthcare services in coming years. The plan is to integrate its medical system through better connectivity, data integration, faster delivery, paperless records, improved efficiency and better research practices.

At a major hospital, doctors are able to assess the health of premature babies through real time data analysis. The system quickly alerts doctors for any developments and provide timely solutions reducing time of babies in intensive care units (ICU). At Melbourne University, they are collecting data from different hospitals and clinics and compiling a single repository. The data collected would enable better R&D and provide effective solution for treating colon cancer and epilepsy.

In the end the only possible drawback for smart healthcare system is security issues concerning around medical ID cards which store important private information about patients. Hospitals must ensure secure encryption while issuing these cards and data collected should be utilized only for the benefit of mankind.

3. BLUEZONE – AN APPLICATION TO PROTECT COMMUNITY HEALTH IN VIETNAM

The Covid-19 pandemic started in China and recorded the first fatal illness on January 10, 2020, in this country. Up to now, there are more than 200 countries and territories in the world having recorded more than 90 million cases of disease carrying new Corona virus and nearly 2 million deaths. The Covid-19 pandemic in 2020 showed that the human health protection problem has never become so urgent. And smart cities are expected to offer powerful, remarkable solutions to protect their residents from the threat of disease.

Vietnam is considered as one of the successful countries in the control and prevention of Covid-19 disease. One of the reasons for this success is that the Government has exploited the strengths and potentials of the private sector in jointly implementing projects for the community. Government and relevant agencies in early detection and zoning of the source of the disease.

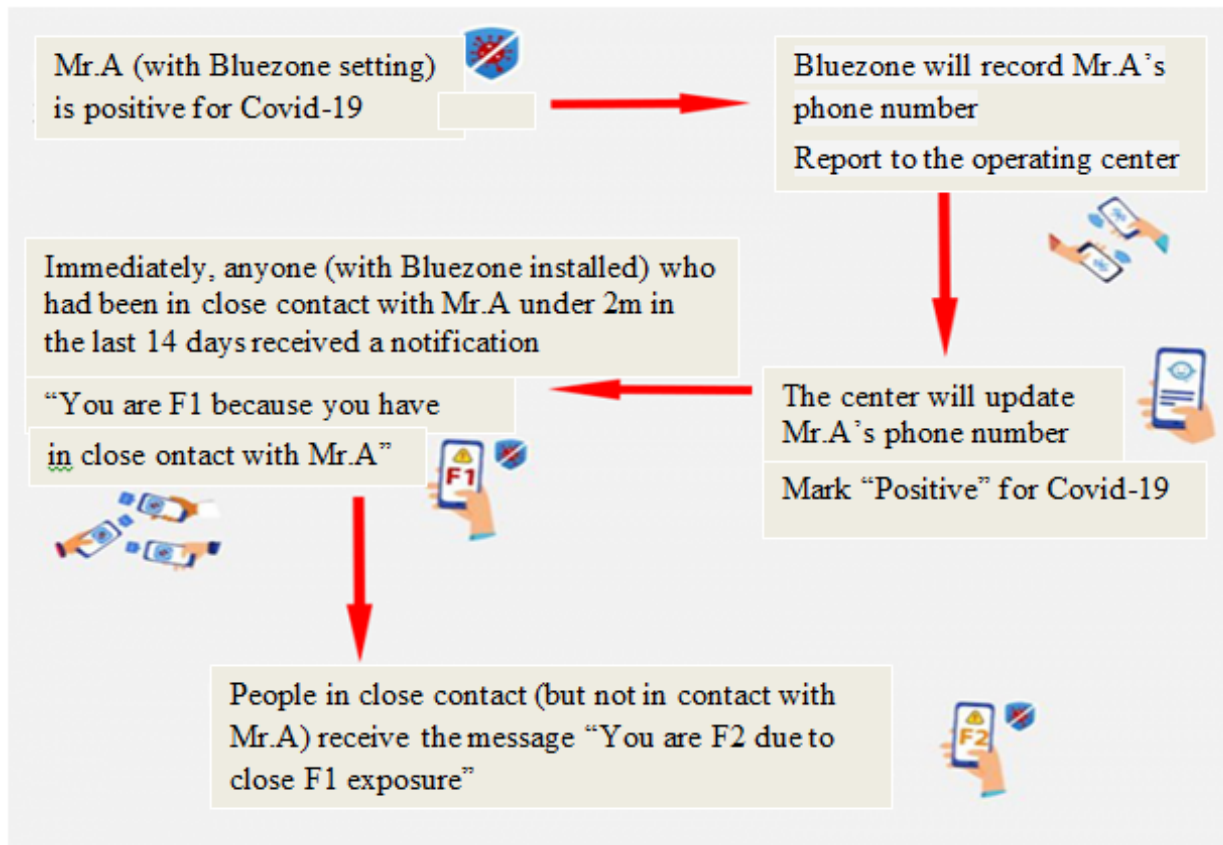
Right from the very first Covid wave, Vietnam has developed and applied a software to detect close contact called Bluezone.

Bluezone is an application that uses Bluetooth Low Energy (BLE) technology to record close contact between smart mobile phones with the same setting and using Bluezone users.

BlueZone is software built and developed by BKAV Corporation, a private computer and software company. The application will warn if the user has been in close contact with the case, the suspected case or the person who has been in close contact with the case or suspected case.

The interactions of Bluezone users with other Bluezone users are recorded in the exposure history. The contact history data is saved on the user's phone. Contact history data will only be used for the service of a medical institution with the user's consent or in the event that the user is an infected case or suspected case.

Bluezone only saves contact history without saving location, not using or accessing other information on user's mobile phone such as contacts, photos ...



Infographic of how Bluezone works

Bluezone users will not know the identity of the contact person because the recognition is in the form of ID; ID code is changed every 15 minutes to ensure security. When a person is infected with Covid-19 (using Bluezone), that person's ID will be posted on the system by a medical authority; The system then sends this ID code to all Bluezone users to compare the contact history and issue an alert if there is a match.

Bluezone app warns user even when phone is in pocket or screen off. All data in the application is not uploaded to the server system, so the user's privacy is completely guaranteed, there is no risk of leaking personal information.

Singapore and DuBai also use BLE technology to control people's interactions. When using the application, people have to register the correct phone number and must be authenticated by the health authority. While the same technology is shared, Android phone users will not have contact metrics with iOS phone users, and in turn, will limit the accuracy of the information.

For Bluezone, users just need to install on Smartphone and turn on Bluetooth and all contacts are recorded. Moreover, Bluezone does not require entering personal information, only store data on the user's computer, absolutely not posting it on the server, not collecting location. Bluezone users will remain anonymous due to using ID generated by the system itself.

It's easy to realize that people who install Bluezone are participating in a community of health networks. ...The larger the number of Bluezone netizens, the more complete the information collected from the community, the timelier the warning will be issued.

4. CONCLUSION

Bluezone is one of the examples which show the current trend of health care system. Smart health – smart cities will be future of human.

In the trend of the 4.0 revolution, Vietnamese health care has gradually approached this trend to promote health care. Not only in theory but Vietnam is also beginning to approach the experimentation and use of artificial intelligence. Most hospitals in Vietnam already have digital hospital management software. However, there are many difficulties in this field because Vietnam still does not have a separate smart system in health care, most of which rely on the cooperation of foreign countries.

Thus, to have a smart medical system, Vietnam needs to promote the development of medical equipment; develop human resources and science - technology at the same time actively integrate and improve the efficiency of international cooperation to find smart solutions for public health care. Along with the help of IoT and artificial intelligence, a new era in solving modern health problems for cities in Vietnam will be opened.

To achieve these goals, the participation of the Private Sector is extremely important. The potential of the Private Sector includes human resources, science and technology, and cooperation and support from businesses... If fully exploiting the strengths of this sector, combine with the management of the Government, Vietnam will soon successfully build a smart society model in the near future.

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FACTORS AFFECTING THE PRIVATE ECONOMY IN AGRICULTURE

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Abstract: *In Vietnam, the private sector is an important component of the economy. The private economy is operating and developing more and more in many different fields, including the agricultural sector. Studies show that the development of the private economy in agriculture is influenced by many factors. However, at present, most of the studies focus on small scales such as in each district or each province, not nationwide macro-scale studies. The study was conducted in 2020. The authors conducted a survey of 600 questionnaires for people who took part in agricultural production activities nationwide. After collecting the questionnaires, the data was cleaned, the necessary information was coded, entered the data on EPI Data 3.1 software and the data was analyzed using SPSS software version 22.0. After testing Cronbach Alpha, EFA and analyzing Pearson correlative coefficient, the authors conducted multivariate regression analysis to determine the degree of influence of factors on the private economy in agriculture. Since then, the authors have had scientific basis to propose solutions to strengthen the role of the private economy in agriculture in Vietnam.*

Key words: private sector, agriculturure, affecting factors

1. INTRODUCTION

In Vietnam, the private sector is an important component of the economy. With the goal of “the private economy becomes an important driving force of the socialist-oriented market economy” (Communist Party of Vietnam, 2016). The private economy is operating and developing more and more in many different fields, including the agricultural sector. As a country with a long tradition of agriculture, the Party and State have promulgated many policies, creating favorable conditions and environment for the private economy in agriculture to develop. Although there has been strong progress, it must be acknowledged that the scale of the private economy in agriculture is still small, the application of machinery, science and advanced technology in production is limited, the quality of the products is not well-controlled, the products sold to the international markets are still restricted, etc. In this article, the author points out and analyzes the influencing factors to the development of the private economy in agriculture in Vietnam today. On that basis, the article proposes some solutions to promote and enhance the role of the private economy in agriculture, to meet the requirements of national construction and development.

2. LITERATURE REVIEW

Private economy in the field of agriculture is one of the factors attracting the attention of many domestic and foreign researchers. According to the classics of Marxism-Leninism, with

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the form of household economy, the private economy plays an important role in agriculture (C. Marx, F. Engels, 1999). Studies show that, whether in developing countries with rudimentary production or developed countries applying high technology, the private economy is the main force in agricultural production (C. Marx, F. Engels, 1995; Madhvi Sally, 2017). Due to the pressure of population growth, the demand for food and foodstuffs is increasing while the area of agricultural land is being shrunk. Therefore, agriculture is always an industry that receives the attention of governments (Keith Fuglie, 2016). The private economic units operating in the agricultural sector are mostly individual households, small and medium enterprises. Although it cannot replace the state sector, the lack of private sector investment can also create a great influence on agricultural production (Erich Sahan & Monique Mikhail, 2012).

Studies in Vietnam show that the private economy has linkages with other economic sectors and plays a great role in agriculture in the socialist-oriented market economy. (Ta Thi Le Yen, 2003; Nguyen Quang Vinh, 2016). In the field of agriculture, the private economy has undergone many different forms such as household economy, collective economy, cooperative groups, cooperatives and private enterprises. The development trend of the private economy also follows the development laws of history and the development of the open market economy and international integration (Thanh Trung, 2017).

In addition, studies show that the development of the private economy in agriculture is influenced by many factors such as internal factors including capital, quantity and quality of human resources, human resources, management leadership, mechanisms and policies, joint ventures, linkages between three parties (enterprises, scientists and farmers), awareness of society of the private economy in agriculture, the participation of associations, professional social organizations, international economic integration, natural conditions, infrastructure for agricultural production,... (Hanoi Foreign Trade University, 2012 ; Trung Son Hao, Dung Tri, 2013; Ta Ngoc Nam, 2016; Phan Thi Hue, 2019).

In general, it can be seen that the studies have gone into deep understanding and demonstrated the important role of the private economy in agriculture. Besides, studies also show that the private economy is influenced and impacted by many different factors. However, at present, most of the studies focus on small scales such as in each district or each province, not nationwide macro-scale studies. This is the gap for this article to explore thoroughly to get an overview of the private sector in agriculture in Vietnam.

3. METHODOLOGY

The study was conducted in 2020. The authors conducted a survey of 600 questionnaires for people who took part in agricultural production activities nationwide. The authors carried out the survey by sending questionnaires directly to people in the North, Central and South regions with a scale of 200 questionnaires each. After collecting the questionnaires, the data was cleaned, the necessary information was coded, entered the data on EPI Data 3.1 software and the data was analyzed using SPSS software version 22.0. The imported data is analyzed according to the following steps:

Step 1: Descriptive statistics of collected data

Descriptive statistics was the first step in quantitative data analysis to help the authors have an overview of the private economy in agriculture. To find out the factors affecting the private economy in agriculture in Vietnam, the authors used a 5-level scale (Likert scale) in the survey. With this scale, the analysis results would be based on the common parameter called Mean (average value). How to calculate average score = (Maximum – Minimum)/n = (5-1)/5 = 0.8. Thus, the survey results would be analyzed on the basis of: 1.00 – 1.80: No effect; 1.81 – 2.60: Little effect; 2.61 – 3.40: Normal; 3.41 – 4.20: Quite influence; 4.21 – 5.00: Very influential.

Step 2: Assess the reliability of the scale

The authors used the cronbach alpha test to assess the reliability of the scales to measure the factors affecting the private economy in agriculture. To ensure the reliability of the scale, the author considered the scales to ensure the Cronbach Alpha coefficient > 0.6 and the correlation coefficient of the total variable of the observed variables (Corrected Item - Total Correlation) > 0.3 (Nunnally and Bernstein, 1994).

Step 3: Analyze exploratory factor EFA

After evaluating the reliability of the scale, the authors ran the exploratory factor EFA with the aim of finding out in the independent variables (related to factors affecting the private economy in agriculture). It was possible to classify separate groups corresponding to the number of independent variables in the regression model. Running the EFA discovery factor allowed the authors to reduce a set of variables into a more meaningful variable.

In EFA analysis, the criterion "factor loading coefficient" was used to measure the significance level of the EFA coefficient. To ensure good EFA analysis results, the following requirements should be met: Bartlett's test or KMO > 0.5; load factor > 0.5 and total variance extracted > 50% with eigenvalue >= 1 (Hair et al., 2006). KMO: $0.5 \leq KMO \leq 1$ then factor analysis is suitable for the data; in contrast $KMO \leq 0.5$, the factor analysis is likely not suitable for the data (Hoang Trong & Chu Nguyen Mong Ngoc, 2005).

Step 4: Analyze the correlative coefficient Pearson

On the basis of EFA test results, the authors conducted Pearson correlative coefficient analysis before performing regression analysis. Through running Pearson correlation, it helped the authors to test the close linear correlation between the dependent variable and the independent variables, that was, to test the independence between variables by building a matrix of correlative coefficients between the dependent variables and the independent variables. The Pearson correlative coefficient is only significant when the observed significance level is less than the significance level $\alpha = 5\%$.

Step 5: Build a regression model

After testing Cronbach Alpha, EFA and analyzing Pearson correlative coefficient, the authors conducted multivariate regression analysis to determine the degree of influence of factors on the private economy in agriculture. Since then, the authors have had scientific basis to propose solutions to strengthen the role of the private economy in agriculture in Vietnam.

Based on the survey results, the topic set up a Multiple Linear Regression (MLR) model to

test hypotheses about the relationship between independent variables and the dependent variable, which is the private economy in agriculture. .

The regression has the form:

$$Y = a_0 + a_1x_1 + a_2x_2 + a_3x_3 + a_4x_4 + a_5x_5 + \dots + a_nx_n + e$$

Inside:

Y is the dependent variable

$x_1, x_2, x_3, \dots, x_n$ are independent variables

a_0 is the regression constant

a_1, a_2, \dots, a_n is the regression coefficient

e is the remainder

On the basis of related domestic and foreign studies, in order to evaluate the factors affecting the private economy in agriculture, the study has built the following hypothesis: The private economy in agriculture is a function and depends on the 9 following factors. Considering the causal relationship to build the model, if we call the private economy in agriculture a dependent variable, we will have 9 independent variables as follows:

1. (x1) Capital
2. (x2) Number of human resources
3. (x3) Quality of human resources
4. (x4) Management team
5. (x5) Policy mechanism and State management organization
6. (x6) Joint venture, association
7. (x7) Natural conditions and infrastructure
8. (x8) Associations, professional social organizations
9. (x9) International economic integration

4. RESULTS

The results of the alpha cronbach test showed that indicators such as capital, quantity of human resources, quality of human resources, management team, policy mechanism and state management organization, joint venture, joint venture, linkages, natural conditions and infrastructure, associations, social professional organizations and international economic integration all ensure reliability with Cronbach Alpha coefficient > 0.6 and Corrected Item - Total Correlation > 0.3. On this basis, the authors ran the EFA discovery factor.

The results of exploratory factor analysis (EFA) we have:

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.

.905

	Approx. Chi-Square	5574.710
Bartlett's Test of Sphericity	df	351
	Sig.	.000

With KMO = 0.905, it showed that factor analysis was suitable for the data. To analyze EFA with practical value, the thesis removed observed variables with factor loading coefficient < 0.5. With Sig Bartlett's Test = 0.000 < 0.05, it shows that observed variables are correlated with each other in the factor. Total Variance Explained = 66.9% > 50%, showing that the EFA model was suitable.

Component	Total Variance Explained								
	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	7.141	18.310	18.310	7.141	18.310	18.310	4.103	10.521	10.521
2	5.541	14.207	32.517	5.541	14.207	32.517	3.364	8.625	19.146
3	2.959	7.586	40.103	2.959	7.586	40.103	3.233	8.289	27.435
4	2.143	5.496	45.599	2.143	5.496	45.599	2.632	6.750	34.184
5	1.788	4.585	50.184	1.788	4.585	50.184	2.615	6.705	40.890
6	1.572	4.030	54.214	1.572	4.030	54.214	2.567	6.583	47.473
7	1.327	3.402	61.071	1.327	3.402	61.071	2.140	5.486	59.049
8	1.230	3.154	64.224	1.230	3.154	64.224	1.760	4.512	63.561
9	1.045	2.680	66.904	1.045	2.680	66.904	1.304	3.343	66.904
10	0.923	3.420	72.216						
11	0.834	3.090	75.307						
12	0.764	2.830	78.136						
13	0.689	2.551	80.687						
14	0.632	2.339	83.026						
15	0.607	2.248	85.275						
16	0.507	1.879	87.154						
17	0.474	1.755	88.909						
18	0.407	1.508	90.417						
19	0.398	1.474	91.891						
20	0.366	1.355	93.245						
21	0.353	1.307	94.552						
22	0.304	1.128	95.680						
23	0.297	1.100	96.780						
24	0.272	1.007	97.787						
25	0.244	0.904	98.691						
26	0.188	0.697	99.388						
27	0.165	0.612	100.000						

From the results collected from running the EFA factor, the authors combined 27 observed variables that were factors affecting the private economy in agriculture into 9 observed variables. The pooling of variables have done on the basis of calculating the average value of the observed

variables belonging to the same group. Nine independent variables were formed: capital, quantity of human resources, quality of human resources, management team, policy mechanism and state management organization, joint venture, association, conditions nature and infrastructure, associations, professional societies and international economic integration

One of the requirements of the linear regression model is that the independent variables are not correlated with each other, the pair correlative coefficient between them must be 0. Therefore, before building the regression model, the thesis had proceeded with running Pearson correlation to test the close linear correlation between the dependent variable and the independent variables, that was, to test the independence between variables by building a matrix of correlative coefficients between them. The higher the Pearson Correlation coefficient, the stronger the relationship between the variables. Through the results of running the correlative coefficient, it is shown that, with $\text{sig} > 0.05$, it proves that the independent variable has a correlation relationship with the independent variables. Most of the independent variables are correlated with each other.

The coefficients of the regression model

	B	Beta	Sig	VIF
(Constant)	.692		.000	
Capital	.486	.056	.000	1.132
Number of human resources	.248	.040	.001	1.433
Quality of personel	.415	.074	.000	1.174
Management team	.392	.064	.000	1.201
Mechanisms, policies and organization of state management	.365	.052	.000	1.112
Joint venture, association	.257	.069	.002	1.350
Natural conditions and infrastructure	.215	0.47	.001	1.421
Associations, professional social organizations	.193	.037	.001	1.435
International economic integration	.302	.079	.000	1.894

With $\text{sig} < 0.05$, it showed that the variables in this function all had 95% of reliability and were consistent in sign, and the function format was suitable. With $\text{sig} < 0.05$, it also showed that the independent variables had an impact on the dependent variable. Statistical results showed that the VIF values of the variables in the model were very low and were all < 2 , showing that the degree of multicollinearity of the variables in the model is very small. The Sig test values in the model are very small, showing that the degree of multicollinearity of the independent variables in the model was acceptable.

Through the data table about the coefficients of the regression model, based on the unnormalized impact coefficient, we can write the regression equation as follows:

$$Y = 0.692 + 0.486x_1 + 0.248x_2 + 0.415x_3 + 0.392x_4 + 0.365x_5 + 0.257x_6 + 0.193x_7 + 0.302x_8 + e$$

With the standardized impact coefficient Beta was the basis for the thesis to compare the independent variables in terms of whether the impact of the independent variable and the dependent variable was strong or weak. We can arrange the level of impact of factors on the private economy in agriculture from strong to weak degree as follows: 1- Capital, 2- Quality of human resources, 3- Management team, 4- Policy mechanism and state management organization, 5- International

economic integration, 6- Joint venture, association, 7- Number of human resources, 8- Natural conditions and infrastructure, 9- Associations, professional social organizations.

The survey results showed that capital is the most influential factor on the private economy in agriculture. It can be said that capital is the fundamental factor that decides the investment, expansion, contraction or application of modern science and technology in production and business. Currently, the private economic model in agriculture is still popular with the small-scale model and low capital. However, to be able to invest in organic agriculture and high-tech agriculture, the capital needs are very large, while most owners of the private sector in agriculture have their starting points from agriculture. They gradually accumulate assets, so the capital scale is usually small. This has great effects on the development of the private economy in agriculture.

The second factor affecting the private economy is the quality of human resources. This is a factor that greatly affects the private economy in agriculture as well as the production and business activities of the whole economy. It can be seen that, in any profession, the professional level is also proportional to the productivity and work efficiency. Vietnam is a country with a tradition of agricultural production, but the level of labor in the agricultural sector is not high. Most of the labor of the private sector in agriculture is simple, untrained, laborers mainly rely on traditional experience, or on-the-job training. The agricultural economy is facing a serious shortage of skilled, technical and high-quality human resources. This is one of the big challenges of the private economy in agriculture to be able to develop towards modern commodities.

Besides capital and quality of human resources, the management team also has a great influence on the private economy in agriculture in Vietnam. The qualifications and capacity of managers are decisive to the development and efficiency of production and business of the enterprises. However, like the quality of human resources, currently the quality of the management team of the private sector in agriculture is still limited. Most of the private agricultural economic managers have not been trained, only a few are retrained to work in the wrong industry or rely on experience, or learn from relatives and friends. The agricultural economy is fundamentally lacking a team of managers with professional expertise to be able to bring Vietnam's agricultural economy to the international market.

The next factor that needs to be mentioned is the policy mechanism and state management organization because this is the legal corridor for the development of the private economy in agriculture. Vietnam has made many improvements and adjustments to policies and laws in the direction of creating favorable conditions for the development of the private economy in agriculture as well as encouraging investment and agricultural enterprises. In the coming time, it is necessary to continue to have appropriate policies to attract investors as well as create conditions for the private sector in agriculture to continue to develop.

International economic integration is also identified as one of the factors affecting the private economy in agriculture. The process of international economic integration creates many opportunities such as expanding import and export markets, increasing foreign investment attraction, creating conditions for absorbing advanced science and technology, and facilitating the circulation of agricultural goods. However, it is accompanied by challenges that Vietnam's private agricultural sector has to face, such as competitive pressures with agricultural products from other

countries around the world, and other requirements on technical standards, chemical residues, pesticides, etc.

In the current trend of globalization, joint ventures and associations are recognized as factors affecting the private economy in agriculture. The linkage between the private economy in agriculture and processing enterprises and the consumer market is an objective and inevitable requirement. Each small household cannot carry out the production and consumption chain on its own in the international market, so the association helps to improve the value of agricultural products and bring our country's agriculture to the direction of global integration.

Besides the quality of human resources, the quantity of human resources also affects the private economy in agriculture. Vietnam is a country with an abundant labor force working in the agricultural sector. This is one of the strengths we need to promote in order to promote the development of the private economy in agriculture. However, in recent years, due to the impact of industrialization and modernization, the labor force has shifted from the agricultural sector to the industrial and service sector. For sustainable agricultural development, the private sector needs to take measures to ensure stability and increase incomes for workers in the agricultural sector.

In addition, the development of the private economy is also influenced by other factors such as natural conditions and infrastructure for agricultural production. Vietnam is a country with favorable natural conditions for agricultural development. However, in recent years, due to the impact of natural disasters, epidemics and climate change, agricultural production in Vietnam has also strongly affected. Besides, the system of roads, wharves, markets, irrigation systems, transportation capacity, etc. has also been increasingly upgraded, creating favorable conditions for the private economy in rural areas to develop.

The next factor affecting the private economy in agriculture is the impact of associations, professional social organizations. Association is an organization representing the interests of its members in coordinating and cooperating with state management agencies to find out information about the Government's economic, financial, tax and lending policies. In the current context, the association is increasingly promoting its role in the economy in general as well as the agricultural private economy in particular.

5. CONCLUSION

Through the research results, the authors propose solutions to promote the role of the human economy in agriculture as follows:

Vietnam needs to continue to improve mechanisms and policies on capital, technology and human resources to encourage the private sector to develop sustainably. The State should have preferential financial policies on capital and finance for the private sector in agriculture. Preferential credit packages are needed for farmers, small and medium enterprises. Administrative procedures also need to be simple to create conditions for people and businesses to easily borrow capital. In addition, the State also needs to have tax exemption and reduction policies, change administrative, accounting and auditing procedures to encourage, support, motivate, and help create incentives for businesses to invest in Vietnam agriculture sector.

To meet the current needs of development and application of science and technology in agricultural production, it is required that workers have professional qualifications in agriculture. The State needs to have a strategy of linking training and human resource development, giving priority to the development of high-quality human resources in the agricultural sector. There should be special preferential policies for students studying agriculture in order to attract them to study this subject matter.

The State also needs to have open policies and create favorable conditions to attract the private economy, especially foreign-invested enterprises to invest in agriculture. In addition, encourage individual households to join or register and develop into enterprises operating in the agricultural sector.

It is necessary to increase investment in building infrastructure to serve agricultural production in a synchronous system from roads, irrigation systems, electricity, water, agricultural material services. In addition, the State should create conditions and promote the construction of specialized farming areas, forming concentrated material areas to provide raw materials for large processing and purchasing enterprises.

There should be incentive policies to enhance the role of associations in the private economy in agriculture, who can represent the business community. Associations need to have propaganda and encouragement measures to gather a large number of members. The members of the association also need to improve the spirit of helping and supporting each other in production and business. Besides promoting the activities of existing associations, it is necessary to continue to strengthen and establish new associations and organizations to meet practical requirements.

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IMPACT OF CEO'S SHARE OWNERSHIP RATIO ON FINANCIAL STATEMENT QUALITY OF INDUSTRY GROUP COMPANIES LISTED ON THE HO CHI MINH STOCK EXCHANGE

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Abstract: *The study focuses on measuring the impact of the share ownership ratio of the chief executive officer (CEO) on the quality of financial statements of enterprises in the industry group listed on the Ho Chi Minh Stock Exchange (HOSE). Using the linear regression analysis method based on the data set of 89 enterprises in the 3 years of 2018, 2019 and 2020 shows that the share ownership ratio of the CEO has a negative impact on the quality of financial statements. The research results are one of the bases for shareholders to evaluate the quality of financial statements through the CEO's share ownership ratio. At the same time, it is also one of the arguments for enterprises to develop policies to encourage CEOs to own shares in the firm in a reasonable way, avoid private ownership intentions of management.*

Keywords: *quality of financial statements, the share ownership ratio of CEO, behavioral accounting*

1. INTRODUCTION

The Chief Executive Officer (CEO) who is the legal representative of the enterprise as well as the executive representative of the business owners in the business activities, plays the role of the person responsible for all production and business activities of the enterprise. The CEO also plays a strategic role, implementing strategies and promoting the image of the business to stakeholders. By law, the CEO is directly responsible for the quality of the financial statements or the information presented in the financial statements. Therefore, it can be seen that the CEO's great role in the production and business activities of enterprises in general and the quality of financial statements in particular. However, ordinary CEOs do not follow the interests of the owner but do it for their own self-interest. To serve his own self-interest, the CEO can take advantage of his power to "earnings management" in his own favor and affect the integrity and reasonableness of the financial statements.

According to Knechel and Sharma (2012), Knechel (2012), Wan-Hussin and Bamahros (2013), Mohamad-Nor (2010), Al-Ajmi (2008) show that CEO's behavior is influenced by the characteristics of the CEO, including age, capital ownership ratio, experience, education, tenure, working history, gender and concurrent rights. In fact, CEO's characteristics can be used to predict the CEO's impact on financial statements because these attributes play an important role in shaping CEO behavior. Zhang, Y. & Wiersema (2009) concluded that market participants will perceive signals of financial reporting quality through CEO attributes.

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The study focuses on measuring a CEO characteristic, which is how the CEO's share ownership in the enterprise will affect the quality of financial statements. This will be one of the arguments so that investors in particular and users of financial statements in general can partly assess the quality of financial statements through the CEO's attribute.

2. LITERATURE REVIEW AND PREVIOUS RESEARCH STUDIES

2.1. Literature Review

2.1.1. Role of the CEO

Chief Executive Officer (CEO) is the highest executive position of an organization, in charge of the general operation of a company; responsible for providing direction, strategic vision, coordination, and oversight of the company's operations.

Mintzberg (1973) studied the activities of managers and suggested that each manager must perform 10 different roles and are classified into 3 different categories: Interpersonal roles, Informational roles and Decisional roles.

Table 1: Role of CEO

	Interpersonal roles	Informational roles	Decisional roles
1. Figurehead	Performs ceremonial duties. Examples: greeting visiting dignitaries, attending an employee's wedding, taking an important customer to lunch.		
2. The Leader	Be responsible for the work of subordinates, motivates and encourages employees, exercise their formal authority.		
3. The Liaison	Makes contacts outside the vertical chain of command including peers in other companies or departments, and government and trade organization representatives		
4. The Monitor		Scans the environment for new information to collect	
5. The Disseminator		Passes on privileged information directly to subordinates	
6. The Spokesperson		Shares information with people outside their organization. Examples: a speech to a lobby or suggesting product modification...	

7. The Entrepreneur			Seeks to improve the unit by initiating projects
8. The Disturbance Handler			Responds involuntarily to pressures too severe to be ignored. Examples: a looming strike, a major customer gone bankrupt, or a supplier renegeing on a contract.
9. The Resource Allocator			Relates to assigning resources (money, people, time, and equipment) between functions and divisions, setting the budgets of lower managers
10. Negotiator			Managing implies negotiating with employees, suppliers, etc.

Source: Mintzberg, 1973

In Vietnam, according to the Enterprise Law 2020, the CEO is the legal representative of the enterprise. The CEO must decide on issues related to the daily business of the enterprise as well as organize the implementation of the business plan and investment plan of the enterprise; propose a plan on organizational structure, internal management regulations or appointment, dismissal or dismissal of managerial positions in the enterprise; deciding salary and other benefits for employees in the enterprise, recruiting workers for the enterprise, etc...

Thus, the CEO is the person who plays a very important role in the business, responsible for all production and business activities of the enterprise. At the same time, the CEO must be responsible before the law for all issues related to the preparation and presentation of financial statements. Therefore, it can be said that the CEO has a great impact on the quality of financial statements that enterprises publish.

2.1.2. Behavioral accounting research

The concept of "behavioral accounting research" was formally introduced in 1967 by Becker as the application of theories and methodologies of behavioral science in understanding the interactions between accounting information and human behavior (Birnberg & Shields, 1989). More specifically, Hofstede & Kinard (1970) states that behavioral accounting research is "the study of the behavior of both accountants and non-accountants as to how they are influenced by functions and how to report accounting" and covers three basic areas: the behavior of accountants; the influence of the accounting function on behavior; and the impact of accounting information on information users.

Behavioral accounting research joins the general role of accounting research as it helps to explain how people process and use accounting information, providing (new) insights into how groups of people make decisions. From there, the results of behavioral accounting research will

provide useful information for decision-making agencies, accounting policies on scientific basis, more reliable in building and developing accounting policies and accounting standards.

2.1.3. Agency theory

The agency theory developed by Berle and Means (1932), Jensen and Meckling (1976) analyzes the conflicting relationship of dependence between business owners (shareholders) and managers (leaders, managers, management) in the enterprise. In which, shareholders - called the principal, entrusting to the managers - called the authorized or agent, carry out the operation and management of the business in accordance with the company shareholders' interests. In a nutshell, "an agency relationship is established between two or more parties when one of these parties, called the agent, acts as an agent of the other party, called the principal, in a particular decision-making context".

The conflict of interest between the principal and the agent creates additional losses because benefits are not maximized. The total cost of supervision, binding costs, and additional losses are called agency costs because these costs arise from the relationship between the owner and the principal.

To control agency costs, financial leverage can be used, encouraging managers to own shares to focus management's efforts on shareholder interests (Jensen, 1976; Fama, 1980).

2.1.4. Quality of financial reporting through quality of information characteristics

The International Organization for Standardization (ISO) – ISO 9000:2005, defines: "Quality is the degree to which a set of inherent characteristics fulfills requirements". According to the International Accounting Standards Board (IASB), the purpose of a financial statement is to provide high-quality financial information related to an economic unit, useful for making economic decisions.

The author focuses on exploiting the quality aspect of financial statements through the quality of financial statement information from the IASB's point of view. According to "Conceptual Framework for Financial Reporting 2018", the qualitative characteristics of useful financial reporting identify the types of information that are likely to be most useful to users in making decisions about the reporting entity on the basis of information in its financial report. The qualitative characteristics apply equally to financial information in general purpose financial reports as well as to financial information provided in other ways.

Financial information is useful when it is relevant and represents faithfully what it purports to represent. The usefulness of financial information is enhanced if it is comparable, verifiable, timely and understandable.

Relevance: Relevant financial information is capable of making a difference in the decisions made by users. Financial information is capable of making a difference in decisions if it has predictive value, confirmatory value, or both. The predictive value and confirmatory value of financial information are interrelated.

Faithful representation: Faithful representation means representation of the substance of an economic phenomenon instead of representation of its legal form only. A faithful representation seeks to maximise the underlying characteristics of completeness, neutrality and freedom from error.

Comparability: Information about a reporting entity is more useful if it can be compared with similar information about other entities and with similar information about the same entity for another period or another date. Comparability enables users to identify and understand similarities in, and differences among, items.

Verifiability: Verifiability helps to assure users that information represents faithfully the economic phenomena it purports to represent. Verifiability means that different knowledgeable and independent observers could reach consensus, although not necessarily complete agreement, that a particular depiction is a faithful representation.

Timeliness: Timeliness means that information is available to decision-makers in time to be capable of influencing their decisions.

Understandability: Classifying, characterising and presenting information clearly and concisely make it understandable. While some phenomena are inherently complex and cannot be made easy to understand, to exclude such information would make financial reports incomplete and potentially misleading. Financial reports are prepared for users who have a reasonable knowledge of business and economic activities and who review and analyse the information with diligence.

2.2. PREVIOUS RESEARCH STUDIES

According to Brickley et al. (1988), stock ownership is an incentive, CEOs will work and devote more to the business, improving company performance.

Research by Ali et al. (2008) shows that the higher the ownership ratio of managers, the lower the manager's motivation to profit management behavior.

The study of Soongsoo (Sam) Han (2004) collects data as the equity ratio taken from the Compact Disclosure database for the period from 1997-2001. This study investigates the relationship between forms of stock ownership and the quality of a firm's financial statements, as measured by the size of discretionary allowances and maps of cash-flow accruals, and level of disclosure. The authors show that the stock ownership of managers has a negative effect on reporting quality and disclosure level.

Similarly, Fan, J. & Wong, J. (2002) studied the relationship of ownership structure with the quality of accounting information in seven East Asian economies excluding Japan, including 282 Hong Kong firms, 91 Indonesian enterprises, 177 Malaysian enterprises, 133 Singaporean enterprises, 95 Korean enterprises, 66 Taiwanese enterprises and, 133 Thai enterprises. The results show that a high ownership ratio means the low quality of accounting information.

Along with this result is the study of the authors Q. R. Yasser, A. A. Mamun and M. Hook (2017). Overall, the authors find that in the East, ownership concentration is negatively related to financial reporting quality. This is explained by the high ownership rate, the chances for that individual to manipulate the business and interfere in the financial statements in their favor will be high. This means that accounting information may be incorrect.

3. METHODOLOGY AND PROPOSED MODEL

3.1. Methodology

The study collects data and determines the influence of CEO's characteristics on the quality of financial statements of companies in the industry group listed on HOSE.

The author investigates the quality of financial statement information through the information quality characteristic scales based on the research of F.v.Beest, G.Bram, S. Boelens (2009) and the regulations on information quality of the IASB. In addition, the author uses statistical methods, builds multivariable linear regression models using Bayesian Model Average (BMA), and uses series data to run multivariable linear regression models with the help of statistical analysis software R to measure the influence of CEO's share ownership on the quality of financial statements of industry group companies listed on HOSE.

3.2. Proposed Model

From reviewing related theories such as behavioral accounting research, Agent theory and reviewing previous studies of scholars around the world on the impact of CEO share ownership ratio on the quality of financial statements as a basis for the author to make research hypotheses and research models.

Research hypothesis

Several empirical studies have shown that there is a positive correlation between the share ownership ratio of the CEO and financial reporting quality (Brickley et al., 1988; Ali et al., 2008). However, there are also many other empirical studies that show a negative correlation between CEO's stock ownership ratio and financial report quality, especially these studies were conducted in Asia, where Corporate culture that concentrates too much power on one person will more easily dominate the financial statements. (Research by Fan, J. & Wong, J., 2002; Sam Han, 2014; Q. R. Yasser, A. A. Mamun and M. Hook, 2017). These results are also consistent with the Agent theory. According to the Agent theory in joint stock companies, agency costs exist and to reduce agency costs, according to Jensen (1976) and Fama (1980), businesses should encourage share ownership to focus on the management of agent (CEO). However, do not let the CEO hold shares as much as possible, as it may lead to abuse of power and may distort the information presented in the financial statements.

Therefore, the author put forward the research hypothesis:

Hypothesis H1: CEO's share ownership has a negative impact on financial reporting quality

Research models

From the fundamental theories and empirical studies of previous research scholars, the author has built a research model as follows: $FQC = \beta_0 + \beta_1 Own + \beta_2 Size + \beta_3 Year_{ij} + \epsilon_i$

In the research model, the dependent variable is defined as the quality of financial statements. And the independent variable is defined as the share ownership ratio of the CEO. In addition, the author also uses control variables: firm size and fiscal year dummy variable.

Table 2: Description of measurement variables

Variable name symbol	Explanation of variable names	Measure
Dependent variable		
1. FQC***	Financial reporting quality	Measurement of information characteristics according to IASB. The scale is designed according to F.v.Beest, G.Bram, S. Boelens (2009)
Independent variables		
1. Own	CEO's share ownership ratio	Number of voting shares of CEO/Total number of outstanding shares.
Control variables		
1. Size	Enterprise size	Logarithm of total assets
2. Year _{ij}	Fiscal year dummy variable	The value is 1 if the i-th observation has the same fiscal year as the j-th dummy's year attribute, otherwise the value is 0.

Source: Compiled by the author

*** The FQC variable is measured according to the informational characteristics of the IASB, including the following characteristics: relevance, faithful presentation, understanding, comparability, and timeliness. The scale is designed according to F.v.Beest, G.Bram, S. Boelens (2009). Compile a list of 17 items to measure. In which, 4 items are related to the appropriateness characteristic (R1-R4), 5 items are related to the faithful presentation characteristic (F1-F6), and 3 items are related to the understandable characteristic. (U1-U3), 4 items related to comparable properties (C1-C4) and 1 timely characteristic (T). The author uses a 5-point Likert scale to evaluate each item, in which 1 point is for the item that reaches the weakest level and 5 points for the item that reaches the very good level of the set standards.

4. RESEARCH RESULTS

4.1. Research sample characteristics

The research sample includes 89 enterprises in the industry group listed on the Ho Chi Minh City Stock Exchange. In the following, the author will present some characteristics related to the variables included in the research model.

Firstly, about the size of enterprises

The size of the firms in the sample is measured through the total assets of the enterprise. Although 2019 and 2020 were heavily affected by the epidemic, businesses in the industry group on HOSE still maintained a stable business size, the average business size increased steadily over the years. Specifically, in 2018, the average size of the business was about more than 4,500 billion VND, then in 2019, it will be more than 4,800 billion VND and in 2020, it will be more than 5000 billion VND.

Table 3: Enterprise size over the years

Unit: VND

	2018	2019	2020
Smallest business size	1,843,823,419	1,772,728,330	200,863,676,000
Largest business size	82,390,256,747,000	76,454,866,037,000	62,562,137,696,000
Average business size	4,544,360,469,681	4,839,738,746,867	5,091,488,762,455

Source: Author's calculation results

Secondly, about the ownership ratio of CEO

The CEO's ownership rate ranges from 0% to 48.96% over the years from 2018 to 2020. The average ownership rates over the years from 2018 to 2020 are 3.89%, 4.22% and 3.68%, respectively. The largest ownership ratio that the CEO holds is about 49% and maintained over the years of observation.

Table 4: Statistical table of CEO's ownership rate over the years

Unit: %

	2018	2019	2020
Minimum ownership ratio	0	0	0
Maximum ownership ratio	48.96	48.96	48.96
Average ownership ratio	3.89	4.22	3.68

Source: Author's calculation results

Table 5: Distribution of CEO's ownership ratio over the years

CEO's ownership ratio	2018		2019		2020	
	Quantity	Proportion (%)	Quantity	Proportion (%)	Quantity	Proportion (%)
0%	17	19.10	24	26.97	21	23.60
0-1%	39	43.82	32	35.96	38	42.70
1-5%	16	17.98	14	15.73	13	14.61
5-10%	6	6.74	7	7.87	7	7.87
10-20%	0	0.00	0	0.00	0	0.00
20-30%	0	0.00	0	0.00	0	0.00
30-40%	9	10.11	9	10.11	8	8.99
40-50%	2	2.25	3	3.37	2	2.25
Over 50%	0	0.00	0	0.00	0	0.00
Total	89	100.00	89	100.00	89	100.00

Source: Author's calculation results

Through Table 5 - the distribution statistics of CEO's ownership ratio shows that CEO holding shares with the percentage of less than 1% makes up the majority. For example, in 2018, the percentage of CEOs with less than 1% ownership accounted for 43.82% of the observed sample. In 2019, this rate decreased to 35.96% but by 2020 it will increase again to 42.7%. In general, the share ownership ratio of CEOs below 1% is still the most distributed ratio. Next, it is the percentage of CEOs who do not hold any shares in the business. Specifically, in 2018 it was 19.1% and by 2020 it was 23.6%. In the range of ownership ratios from 10% - 40% and over 50%, there is not any CEO holds. The ownership ratio from about 40-50% only accounts for a small percentage over the years, respectively 2.25% in 2018; 3.37% in 2019 and 2.25% in 2020.

Thirdly, the results of measuring the quality of financial statements through qualitative characteristics of financial statements

The quality of financial statements is measured by the qualitative characteristics of financial statements information in accordance with the IASB's regulations. The average quality score of

enterprises in the industry group on HOSE is generally not high. However, over the years, the financial report quality scores have improved. In 2018, the average financial statement quality score reached 54.24. In 2019 it reached 59.21 and in 2020 it reached 59.72.

Table 6: Descriptive statistics of financial statement quality measurement results through financial statement information quality characteristics

Score, years Characteristics	Maximum Score (in theory)	Average score achieved					
		2018		2019		2020	
		Point	Proportion (%)	Point	Proportion (%)	Point	Proportion (%)
Relevance	20	11.83	59.16	12.93	64.66	13.11	65.56
Faithful representation	25	16.03	64.13	18.22	72.90	18.45	73.80
Understandability	15	8.39	55.96	9.76	65.09	9.79	65.24
Comparability	20	16.26	81.29	16.70	83.48	16.73	83.65
Timeliness	5	1.72	34.38	1.60	31.91	1.64	32.81
Total Scores	85	54.24	63.81	59.21	69.66	59.72	70.26

Source: Author's calculation results

4.2. Regression analysis results

The results of the regression analysis are presented in Table 7 below:

Table 7: Regression results

Residuals:				
Min	1Q	Median	3Q	Max
-14.656	-4.189	-1.250	4.555	19.493
Coefficients:				
	Estimate	Std. Error	t value	Pr(> t)
(Intercept)	11.304515	6.348404	1.781	0.0761 .
Own	-0.003659	0.039745	0.092	0.0267 *
Size	3.673704	0.517692	7.096	1.19e-11 ***
Year	3.220195	0.726297	4.434	1.36e-05 ***

Signif. codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1				
Residual standard error: 5.594 on 263 degrees of freedom				
Multiple R-squared: 0.2118, Adjusted R-squared: 0.2028				
F-statistic: 23.56 on 3 and 263 DF, p-value: 1.539e-13				

Source: Author compiled from R software

The results of the regression study show that the variables Own, Size, and Year explain about 21.18% of the variance of the FQC variable. The coefficient of Own variable has a negative sign and is statistically significant (with $p = 0.0267$). This result serves as the basis for accepting hypothesis H1: CEO's share ownership has a negative impact on financial reporting quality. In other words, the higher the capital ownership ratio of the CEO, the lower the quality of financial statements.

5. DISCUSSION AND CONCLUSION

5.1. Discussion

The study used time series data of 89 enterprises in the industry group listed on HOSE in the period from 2018 to 2020. The research results have accepted the hypothesis that there is a negative impact of the CEO's share ownership ratio on the quality of financial statements. This result is completely consistent with previous authors' studies. For example, Sam and Han (2004), with a data set of enterprises for the period from 1997-2001, show that the share ownership ratio has a negative impact on financial statements. Or as authors Fan, J. & Wong, J. (2002) studied the relationship of CEO's ownership structure with the quality of accounting information in seven East Asian economies also showed a negative relationship. And most recently, the authors Q. R. Yasser, A. A. Mamun and M. Hook (2017) also suggested that the more shares a CEO owns in a company, the lower the quality of financial statements.

5.2. Conclusion

The quality of financial statements is always a matter of concern to investors in particular and the society in general. It demonstrates financial transparency in each firm and contributes to building a transparent national financial system. The research has shown that there should be a separation between the capital ownership ratio and the control issue. Thereby, enterprises need to develop appropriate policies to encourage share ownership. Depending on the capital structure and the current ownership ratio of the management, the enterprise has appropriate stock incentive policies to avoid the situation where the manager owns too many shares of the enterprise, which will lead to abuse of power and may falsify financial data and information, affecting the interests of shareholders and investors.

On the other hand, the research results are also one of the arguments for shareholders to evaluate the external perception of the quality of financial statements of listed companies through the ownership ratio of the CEO. The more shares the CEO owns, the lower the quality of the financial statements.

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IMPACT OF COBIT ON THE ESTABLISHMENT OF ACCOUNTING INFORMATION SYSTEM IN CURRENT BUSINESSES

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Abstract: *Setting up and controlling AIS is an essential need for most businesses. However, at present, this process is fraught with many difficulties due to the fact that staff performing the task has not approached a set of standards as a basis for action. Besides, there is no clear overall plan in setting up the system. Therefore, it is necessary to approach standards to develop AIS. Around the world, there exist several sets of standards to serve this purpose. The Control Objectives for Information and Related Technology (COBIT) is considered as a quite complete set of tools that can help businesses constructing AIS to achieve the desired effect. With a qualitative research method via observation and hand-to-hand discussion, this article aims to provide an overview of the latest version of COBIT and analyze the impact of COBIT on the formation of AIS in enterprises in Vietnam today.*

Keywords: *COBIT, Accounting Information System (AIS), impact*

1. INTRODUCTION

The development and application of information technology (IT) in countries around the world has created great changes in the field of accounting, especially in data processing and information provision breakthrough as compared to previous manual processing. Therefore, having an IT and information control system is indispensable for businesses to aim at lessening the risk, optimizing IT and professional processes for the guaranty of their safety and growth. COBIT is an international standard for the management of IT-related technology for implementing internal control over AIS. COBIT provides managers, auditors and IT users with a wide range of metrics, instruments, processes and best practice guidelines in order to maximize profits of enterprises and organizations through the use, management and control of IT effectively.

On the other hand, many recent studies such as Andry & Setiawan (2019), Huygh et al. (2018), Lin & Wittmer (2017), Singh et al (2020), Wittmer & Lin (2019) have highlighted the role of information technology governance mechanisms in enhancing the security of accounting information in enterprises, helping to achieve the set goals, improving the efficiency of investments from outsiders. Maximizing profits from the use of IT leading to improved productivity and efficiency depends mainly on how information technology risks are managed, measured and assessed. COBIT 5 is a general model of internal control of information technology and information security. It displays an approach to better IT management and increase the quality of the organization's information. Therefore, the implementation of COBIT is a sign of a good business because it provides a framework

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for governance and implementation of internal controls. Moreover, the economic information system in enterprises in Vietnam has not met the standards for creating a quality information flow for enterprises and has not yet established an IT management system to serve those activities, and is always passive with events, incidents, low level of accounting information security, etc. Thus, it can be said that the establishment of a new accounting information system under the influence of COBIT is of great significance to enterprises today. This article helps managers understand the impact so that they can make evaluations and suggestions to innovate or redesign the current accounting information system for a more effectively operating system associated with the goals of enterprises.

2. LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1. Literature review

Issues related to the IT governance are interesting subjects for many researchers. The work of Tallon (2007) explored the process of the focus on strategic alignment. He recommended that the firm should apply the correct set of this process when strategy is chosen. Another study done by Shpilberg, Berez, Puryear & Shah (2007) investigated the problems with IT Alignment processes and suggested solution by providing high-qualified IT people and softwares. De Haes & Van Grembergen (2009) analyzed the relationship between implementations of IT governance in organizations and business/IT alignment. These authors found that business/IT alignment maturity is higher when organizations are applying a mix of mature IT governance practices. Over the past few years, several frameworks have been offered to guide the implementation of IT governance for an entity. The major frameworks are: COSO's Internal Control framework is developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) to manage and reduce risks (Romney & Steinbart, 2006, p.196) and Risk IT framework is developed by ISACA and ITGI. It complements COBIT and Val IT and saves time, cost and effort by providing enterprises with a way to focus effectively on IT related business risk areas (ISACA, 2009b).

IT management is one of the crucial concepts in the information technology field. IT management needs to adapt to the organizational structures, culture, and overall strategy of the company (Symons, 2005) and be expanded beyond focusing on ensuring return on investment and compliance with accounting procedures (Raghupath, 2007). In addition, Lainhart (2000) explained that COBIT plays an important role in IT risks management which means that it not only contributes to the protection of the AIS assets, but also refers to the process of eliminating or minimizing uncertain events affected system resources. In addition, Oppliger (2007) emphasized both IT security and the need for information security management. Similarly, Johnston & Hale (2009) described security management and presented ways to improve these security. Specifically, the information security planning at the strategic level of the enterprise through information security management. It supports the optimization of security investments and executive management support is frequently cited as a critical component for information security program success (Tarn, Raymond, Razi & Han, 2009).

Based on an in-depth literature review, we find no studies that examined the impact of COBIT on AIS or the usefulness of information in establishing information systems accounting on COBIT platform. On the contrary, there are many studies that have showed the relationship between

the AIS and usefulness of accounting information. Nicolaou (2000) showed that the quality of AIS has an influence on the quality of accounting information. This system is consistent with the organization's strategy was a significant factor that explained variations in perceived AIS effectiveness and it is measured by decision makers' perceived satisfaction with the accuracy and monitoring effectiveness of output information and the perceived quality of information content in system outputs. This result also is supported by the study of Komala (2012) and Sumritsakun (2012) indicated that the effectiveness of an accounting information system can help firm to maintain the accounting information's usefulness and make effective decisions. In a similar vein, Chalatharawat & Ussahawanitchakit (2009) showed that there is a positive and statistically significant relationship between the AIS and the usefulness of accounting information for the performance evaluation which means that management accounting information system effectiveness is positively associated with the quality of accounting information in decision making (Konthong & Ussahawanitchakit, 2009). Thus, the effectiveness of AIS is a key element in explaining and enhancing corporate success.

Previous studies have shown that IT risk management on the COBIT platform is necessary for businesses in the world in general and Vietnam in particular. This is a good sign because it provides a framework to administer and implement internal IT control. Therefore, COBIT has an impact on establishing an effectively quality AIS to improve the usefulness of information provided to information users. No existing literature in Vietnam examines the impact of COBIT on the establishment of AIS in current businesses. That is the reason why this study will provide insights into this neglected area.

2.2. Theoretical framework

2.2.1. COBIT

➤ COBIT concept

Control Objectives for Information and Related Technologies is more popularly known as COBIT which is a globally-recognized information technology management standard including frameworks on how to implement and best manage information technology (guideline). In other words, COBIT is an information technology governance framework and supporting toolkit, designed to help businesses reduce risks as well as be proactive in establishing the necessary regulations systematically. The system bridges the gap between control requirements, as well as technical challenges and business risks. COBIT was developed by the Information Systems Audit and Control Foundation (ISACF). It is a generally accepted framework (Chan, 2004) and addresses control from three dimensions: business goals, IT resources, and IT processes. The control objectives of COBIT-related IT processes are grouped into four main areas: planning and organizing, conception and implementation, delivery and support, and monitoring and evaluation (Symons, 2005).

➤ COBIT Development Stages

COBIT was first introduced to the public around mid-1996 due to the difficulties faced by auditors working in electronic systems. COBIT framework was originally developed as a framework for performing audit tasks in the IT environment, is a set of control objectives for IT processes, with a primary focus on enabling financial auditors to reframe interactions with IT governance frameworks. The second edition was published in 1998 and this edition has seen many developments based on

IT audits. In particular, the Third Edition of COBIT released by ISACA in 2000 introduced more complex regulatory frameworks. For example, basic metrics, and performance factors and more advanced models are applied to IT operations. The development in the field of IT administration does not stop but it continues to expand to many other aspects instead of focusing on auditing. The 4th edition developed in 2005 contains the preferred standards, commonly used by leading IT security professionals. This edition includes several principles that explain governance and management mechanisms (Apriliana, Sarno, & Effendi, 2018) such as alignment of organizational goals and partnerships to drive growth of IT; The organization links its roles and tasks in the field of IT activities. The latest version of COBIT is COBIT 5, which was released in 2012 and this version emphasizes the idea of corporate IT governance, along with risk management, and is widely used in the business community. According to ISACA, this edition is a comprehensive framework that helps organizations achieve their IT governance and management goals.

➤ **COBIT Goal**

According to ISACA (1996), all the updates to COBIT version 5 include specific goals of streamlining information sharing within the organization, using IT capabilities and strategies to achieve its business goals, reducing information security risks and providing more control, providing a cost-effective solution for IT deployments, and integrating the latest findings into the COBIT framework. To meet COBIT objectives, accounting information must meet the following seven criteria:

- *Effectiveness* deals with information being relevant and pertinent to the business process as well as being delivered in a timely, correct, consistent and usable manner.

- *Efficiency* concerns the provision of information through the optimal (most productive and economical) use of resources.

- *Confidentiality* concerns the protection of sensitive information from unauthorised disclosure.

- *Integrity* relates to the accuracy and completeness of information as well as to its validity in accordance with business values and expectations.

- *Availability* relates to information being available when required by the business process now and in the future. It also concerns the safeguarding of necessary resources and associated capabilities.

- *Compliance* deals with complying with the laws, regulations and contractual arrangements to which the business process is subject, i.e., externally imposed business criteria as well as internal policies.

- *Reliability* relates to the provision of appropriate information for management to operate the entity and exercise its fiduciary and governance responsibilities.

➤ **Structure of COBIT**

Components of COBIT

The COBIT platform is built with three basic components: IT Resources, Business Requirements, and IT Processes. These basic components will ensure the sustainable operation of the business as follows:

- *IT Resources*: can be understood as manual and programming procedures. Information IT resources include information (data, normalization, security); infrastructure is technology and equipment (i.e., hardware, operating systems, database management systems, networks, multimedia); people (skills, awareness, and productivity to plan, organize, acquire, deliver, support, monitor, and evaluate information systems and services).

- *Business Requirements*: includes quality requirements (quality, delivery, cost), security requirements (security, integrity, availability) and fiduciary requirements (operating efficiency, legal compliance and regulations, reliability of financial statements).

- *IT Processes*: Depending on the business requirements set for the business, the best process will be selected and applied based on IT resources. Processes, when applied, always ensure that information and data are secure, available and in compliance with the law.

COBIT relies on these basic constructing components which lay the foundation for building IT deployment in the enterprise. In addition, COBIT relies on the business goals of that enterprise or organization to develop IT in the right way, bringing optimal efficiency to achieve the set goal together with the aim of minimizing costs.

IT process of COBIT

The COBIT framework which classifies IT processing activities into specific scopes helps implementers to always understand the steps they must do and do not wander to other areas. Currently, COBIT consists of 4 main scope domains: planning and organizing, conceiving and implementing, delivery and support, monitoring and evaluation. Each scope domain includes many detailed processing with a total of 34 processing activities, detailed management as follows:

Plan & Organize (PO): This is the first step for all business activities. It greatly determines the success or failure of the business later. Activities namely planning and organizing refer to establishing policies and objectives of information system as well as practices to serve both the achievement of the organization's management goals and two control objectives. It is important to establish a strategic vision for the information system and develop this vision into specific goals or plans to achieve this strategy. The implementation of this strategic vision requires businesses to clearly plan, communicate and manage from many different perspectives. In terms of organization, it includes not only the organization of the information system structure, but also the organization of the technical infrastructure. Detailed processing activities include:

PO1	Define IT plan and strategy: Ensure the initial elements of the plan are met, the plan is clear...
PO2	Define information architecture: Clearly define the IT architecture model that needs to be built from input, processing, storage and display devices that must be synchronized.
PO3	Define the IT path: Defining IT is to serve the production process of the business, so the way to build IT must be appropriate.
PO4	Determining IT processes, Organization and relationships of IT departments must be reasonable and accurate.
PO5	IT investment management: Manage budgets, manage functions that meet strategic IT requirements
PO6	Communicate management goals and direction: Always define clear goals to follow the set path in building information systems.

PO7	Human Resource Management: Having a plan to train, inspect human resources, and ensure human resources for information systems.
PO8	Quality management: Ensure the appropriateness and effectiveness of IT is applied.
PO9	Risk management: Establish contingency plans, anticipate risks and propose solutions.
PO10	Project management: Take control of the entire project, always combine the plan and progress, make sure the project moves on the right track.

Acquire & Implement (AI): Based on information system development strategies and plans, specific information system requirements and solutions need to be determined and purchased or self-designed. To execute the strategy, the IT solution needs to be defined, implemented, and integrated into the business process. Thus, this is the process of analyzing, designing and implementing information systems. In addition, alteration and maintenance of existing systems are covered by the field to ensure that the life cycle is continued for these systems. Changes also need to be taken into account to ensure that systems are always developed according to the plan. Detailed processing operations:

AI1	Identify solutions automatically.	AI5	Purchase IT resources.
AI2	Maintain acquisition and application of software.	AI6	Change management.
AI3	Acquire and maintain technology infrastructure.	AI7	Install and validate solutions and changes.
AI4	Activate and use.		

Deliver & Support (DS): After the system has been formed and used to generate the necessary information for users, it is integrated with the business process of the enterprise. Thus, this is the process of distributing information products to users, there should be activities to support them on how to use information and solve system problems. The essence of this phase is that the controls ensure system safety during use, such as system access control, physical security, software, and application control such as data entry, processing, etc. and generate processing results, this scope includes 13 detailed processing operations:

DS1	Define and manage service levels.	DS8	Manage desk service and incidents.
DS2	Manage 3 rd party services.	DS9	Configuration management.
DS3	Performance and capacity management.	DS10	Problem management.
DS4	Ensure service continuity.	DS11	Data management.
DS5	Ensure system security.	DS12	Manage the physical environment.
DS6	Determine and allocate costs.	DS13	Operations Management
DS7	User education and training.		

Monitor & Evaluate (ME): All IT processes need to be regularly evaluated after a period of use for quality and compliance with control requirements. This scope also represents the management's position in controlling IT processes in order to monitor and evaluate to detect errors and weaknesses. Detailed processing operations:

ME1	Monitor and evaluate IT performance.
ME2	Monitor and evaluate IT performance.
ME3	Monitor and evaluate internal controls.
ME4	Provide IT governance mechanism.

When determining the work to be done by the organization or business, the implementation of the information system will be based on the appropriate scope domain. In addition, some support processes of other areas must be combined to define a specific object and implement that object. COBIT which goes from general to specific with clear guidance and control, strict evaluation based on long experience creates a strict and effective information management system.

2.2.2. Accounting Information System (AIS)

➤ AIS Concept

An accounting information system is a framework for coordinating resources (data, equipment, suppliers, personnel, and funding) to transform inputs into outputs of economic and financial information is used to perform the operations of an entity and to provide accounting information to important objects (Wilkinson, 1999). Accordingly, AIS is an indispensable structure in an entity that uses available resources and other components to change accounting and financial transaction data into information, with the aim of meeting the users' needs. Donald Kieso et al. (2012) asserted that the essence of AIS is to collect raw data, which is then presented in the form of useful accounting information to information users. Romney and Steinbat (2012) revealed that an accounting information system is a system for collecting, recording, storing and processing data to provide information to decision makers to plan, manage and operate their business. In this case, accounting information is viewed as a system that helps managers plan and control by providing relevant, reliable information for decision-making. AIS is not only an effective tool for controlling, operating and making decisions of management levels inside and outside the organization, but also plays an increasingly important role in coordinating activities and improving efficiency, performance of functional departments. An effective AIS organization fully display roles and functions of this system in terms of IT application in order to create useful accounting information is one of the top concerns of any organization. This is only done well when staff properly aware of the nature of AIS.

➤ Ingredients of AIS

According to Rommey (2012) there are 6 components of the technical information system, namely the users of the system; the procedures and instructions used for data collection, processing and storage; organizational and business data; software used to process data; hardware, internal controls, and security measures for the protection of CIs data. Knezevic et al. (2012) argue that the components of an accounting information system include input data - quantifiable business events in monetary form (by recording in accounting accounts); processing - processing data through accounting books and making accounting reports; Output information - publish financial statements for decision making. With this same point of view, Moris et al. (2014) stated that the accounting information system has 4 main components, of which 3 components are similar to the study of Knezevic et al. (2012) and an additional component is feedback information system response. Romney and Steinbart (2012) further emphasize the importance of internal control activities and ensure data security of the accounting information system, so consider internal control tools as a constitutive element of the accounting information system. Thus, in order to have a more complete view of the COBIT approach to AIS, the components of the AIS are mentioned in the paper based on the studies of Knezevic et al. (2012) and Romney and Steinbart (2012); namely (1) information (input, output); (2) information

handling and security procedures and (3) internal controls. Regardless of the components of the economic information system, the components are related to each other, all the scales are related to each other to achieve a common goal of receiving input information and providing output through organizational transformation (O'Brien & Marakas, 2010).

3. METHODOLOGY

This study uses qualitative research methods through two main tools i.e, observation and hand-to-hand discussion. The observation period on the establishment of an accounting information system on the COBIT platform from enterprises was carried out in 6 months. During the observation, the authors combined with the search for secondary data sources that are related documents such as journals, books and the internet, the authors set up a semi-structured questionnaire to collect data from other sources. To collect data, a questionnaire was used to interview 80 participants who are financial directors, IT directors and internal auditors in enterprises where the above accounting information system is applied. Computer and implementing information technology management on COBIT platform in Vietnam through face-to-face interviews, emailing, phone calls, etc. The content of the questionnaire related to the impact of COBIT on components of the accounting information system such as input and output information, information processing and security, and internal control. Before conducting formal discussion, the questionnaire was approved by five experts to assess the relevance of the content of the questionnaire to the actual conditions of enterprises in Vietnam. After making observations and interviews, the authors summarize the findings and give comments in the results and discussion section.

4. RESULTS AND DISCUSSION

COBIT is arguably the most important foundation of the creation and movement of financial information within an organization: the IT system infrastructure. It acts as an overall IT governance approach and can fulfill previous COSO (The Committee of Sponsoring Organizations of the Treadway Commission) requirements for IT control environments. Most of the participants approached by the authors have similar opinions about the impact of COBIT on the components of AIS. They all believe that COBIT provides a framework to help businesses achieve their goals in IT governance and management of the business. When talking about corporate governance, first and foremost, it is necessary to adapt to the organizational structure, culture and overall strategy of the enterprise (Symons, 2005). Therefore, each IT strategy must also relate to the specific goals of the organization to enhance functional agility with enhanced application integration. Much research is underway on the strategic alignment model, with a focus on the alignment between the organization and the strategies for establishing, maintaining, and developing IT programs, including the COSO, to bring IT implementation processes into alignment with the organization's activities to accomplish key business objectives. While the previous COSO framework established business goals, COBIT is used to promote the alignment of IT governance with the organization. COBIT supports business goals by establishing policies, processes, and procedures for the overall IT infrastructure that promote the alignment of IT in general and the IT Information System in particular with business goals. Implementation of the IT strategy must align with IT principles and guidelines so that it integrates and aligns with the organization's activities and goals. Research results discuss specifically the

impact of COBIT on components of AIS including Input and Output Information, Information Processing and Security and Internal Control.

Impact of COBIT on Input and Output Information

Since information is a product, the system that generates the information and the process of creating the product or managing the system will affect the quality of the product. All business organizations, including nonprofits, rely on accounting information. This information helps stakeholders in the business such as managers and external parties such as investors, government agencies, banks, etc. to achieve their goals when making decisions in the economic field (Hansen et al., 2007). Romney and Steinbat (2012) argue that the accounting information system performs important functions such as collecting and storing data arising in the course of operations and transactions to help the entity review the event occurs, process data into useful information for decision-making, and at the same time provide and control enough information to protect the assets of the entity, including system data. accounting information. COBIT combines business and IT objectives, providing the ability to monitor the maturity of the information metric system. COBIT enables the optimal management of IT resources such as applications, input and output information, infrastructure, and people. This means that with today's increasingly diverse and rich information, COBIT aims to collect and provide information as well as implement IT that is relevant and consistent with the business goals of the enterprise.

Impact of COBIT on Information Processing and Security

With the requirements of increasingly diverse, rich, detailed and complex accounting information as well as the trend of IT application in the field of management, there has been a requirement to innovate the method of handling accounting information in different businesses: the need to use software, data link requirements between the accounting department and other functional departments in the business. The accounting information system in enterprises needs to provide a lot of accounting information as well as change the information processing method in the direction of applying the overall management solution. However, in order to design a successful accounting information system, it is necessary to analyze and evaluate the status of meeting the new requirements of the current accounting information system, including the quality of information generated from this system. To do that, businesses based on standards to evaluate an effective accounting information system on the basis of COBIT management and evaluation methods including effectiveness, timely response, efficiency, confidentiality, integrity, availability and reliability. Although most businesses have applied IT in accounting work, it is only at the level of using individual accounting software, while the general trend to improve the efficiency of accounting work is recognized by managers. The proposed theory is to make data connection, share information between functional departments in the direction of applying total management solution. Therefore, the design of the accounting information system to meet the new requirements of information content and information processing methods is essential to improve the efficiency of accounting work in enterprises.

Security of AIS is one of the issues that are of great concern to managers and accountants (Al-Wattar, Almagtome & AL-Shafeay, 2019). They need to assess the risks associated with electronic AIS, which may affect the way, accounting tasks, audits, and the security of the accounting system

as a whole. Besides, risk assessment in auditing AIS is an important component of auditing in the era of information technology. The protection of electronic systems and their information outputs has led to the need to find procedures and information to effectively manage information technology systems (Damayanti & Manuputty, 2019). The COBIT Internal Control Framework is one of the most important developments in IT governance which aims to establish best practices in the governance and audit of electronic information systems and related technologies. As a result, security managers are using COBIT security and control principles in developing, implementing, and maintaining IT security policies, procedures, and programs for businesses. This system provides the necessary support for businesses in managing information technology as a whole, taking into account all aspects of IT and business-related work tasks. This result is completely consistent with the study of Damayanti & Manuputty (2019) and De Haes & Van (2015).

Impact of COBIT on Internal Control

Managing enterprise risk requires robust internal controls to ensure data accuracy and provide controls over financial and accounting processes. COBIT has addressed the area and framework that COSO was missing in the past by providing detailed functional area guidance for establishing a strong internal control environment for business operations. In other words, COBIT is the generally accepted approach to internal control of IT (ITGI, 2007). Control and evaluation means summative and final confirmation for the implementation of the enterprise's accounting information system. According to the COBIT framework, this stage undergoes specific criteria such as monitoring and evaluating IT performance, monitoring and evaluating internal controls, assessing completion, and providing an IT governance mechanism.

5. CONCLUSION

COBIT has a significant impact on establishing an effective AIS and producing quality accounting information. In other words, the implementation of IT governance mechanisms in general and the establishment of AIS in particular according to the COBIT internal control framework will improve the effectiveness of the internal control system as well as the quality of information in the electronic accounting system. The article has clarified the concepts, objectives and components of COBIT and AIS. In addition, based on the COBIT 5 framework, the article presented the impact of COBIT in establishing AIS in specific enterprises in information processing, information security, and alignment with business goals and internal control. However, the establishment of AIS in an enterprise is very dependent on other factors about the information need of the enterprise which can be studied in details in the future.

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INTERNAL AUDIT AT LISTED COMPANIES IN VIETNAM - THEORY AND PRACTICE

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Abstract: *This study aims at studying theory-to-practice gaps in establishing internal audit charters at listed companies in Vietnam. By comparing the results from previous studies related to internal audit activities with standards on internal audit and the practice of applying them at listed companies, we discovered some differences between theory and practice. Based on these results, we propose some recommendations in establishing internal audit charter for listed companies and policy implications of the authorities in Vietnam.*

Keywords: *Internal audit, independence and objectivity, competence, internal audit quality.*

1. INTRODUCTION

The internal audit plays a very important role in governance, risk management and control processes in enterprises. Through inspection, evaluation and consulting activities, the internal audit provides independent and objective assurances and recommendations on the organization's internal controls, governance processes and risk management. In order to achieve these objectives, the internal audit activity needs to be of quality.

Many previous studies have discovered factors affecting the internal audit quality (Prawitt et al., 2009; Van Staden et al., 2009; Messier et al., 2011;...). Although there are some differences in the research results, in general, the factors affecting the internal audit quality are independence and objectivity, competency, standard compliance, and the relationship with the external auditors... In which, the studies have found detailed factors that need to be paid attention.

In Vietnam, Decree No. 05/2019/ND-CP on internal audit issued on January 22nd, 2019 stipulates that units including listed companies must establish internal audit charters. However, the implementation of internal audit at listed companies has not been really effective. In order to ensure internal audit quality to help the company achieve the above objectives, what regulations and requirements do internal audit activities at listed companies need to comply with and pay attention to? This study aims at studying the theory and practice in establishing internal audit charters at listed companies in Vietnam. By reviewing the world's researches on the factors affecting the quality of internal audit activities, comparing and contrasting with the practice of internal audit activities in listed companies in Vietnam (focus on considering the factors of independence, objectivity, professional competencies), we propose some recommendations in establishing internal audit charter for listed companies and policy implications of the authorities in Vietnam.

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In the practice of internal audit, relevant legal documents such as Decree No. 05/2019/ND-CP on internal audit, The Vietnamese Standards and the Code of Ethics for internal auditing have provided regulations and guidelines on internal auditing. According to the guidance of The Decree, The Standard, factors that need to be ensured are independence and objectivity, competence, and standard compliance... In the practice, listed companies also emphasize the importance of factors such as the field of intervention, the access to information, and the experience of the internal auditors. However, listed companies have not clarified the relevant detailed contents which need to be ensured such as professional certifications, requirements for updating knowledge. This shows that there are theory-to-practice gaps. Based on these comparison results, we recommend some contents that listed companies need to pay attention to in the internal audit charters as well as detailed elements in each content. Specifically for competence, it is necessary to require internal auditors to obtain one of the professional certifications such as Certified Internal Auditor (CIA), Certified Public Accountant (CPA), Certified Fraud Examiner (CFE). At the same time, internal auditors must be able to perform audits using modern technology (artificial intelligence) on the basis of big data and implement minimum requirements for the time and content of annual training. In relation to external auditors, there should be provisions on the cooperation between internal auditors and external auditors, periodic meetings to improve the quality of internal audit, the use of the work of internal auditors by external auditors.

The remainder of the article is organized into four sections including methodology; Literature review; The practice of the internal audit activities at listed companies in Vietnam; Discussion and conclusions.

2. METHODOLOGY

This article uses qualitative methods to find out theory-to-practice gaps in internal audit activity in Vietnam. By reviewing previous studies on internal audit standards and some internal audit charters of listed companies in Vietnam, the authors compared and contrasted the results to discover these gaps.

In order to review the internal audit activity in practice, we selected some companies and collected information about internal audit activities based on listed companies' websites. The authors chose the first company and proceeded to collect the necessary information for the study. The authors continued to select companies and collect information until no new information can be collected compared to what has been collected from previous companies. After collecting information from the 12th company without finding any new information, the authors stopped the collection. Therefore, the number of companies collected in the study is 12.

3. LITERATURE REVIEW

In the world, internal audit activities have been established for a long time, appearing around 4,000 - 3,500 BC (Sawyer, 1996). However, internal audit activities only really developed in the early 20th century when there were joint-stock companies. There are many concepts of internal

audit and according to the Institute of Internal Auditors (IIA¹) (2017) are: "Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes." In this concept, the perception of the role of internal audit has been clearly stated that internal audit is both a checking function and an advisory function to improve the organization's operations, help add value to the organization. This concept also emphasizes the importance of the independence and objectivity of the internal audit function.

The IIA's International Standards for the Professional Practice of Internal Auditing (IPPF) have addressed a number of standards related to internal audit quality. Two standards that internal auditors must meet are independence and objectivity, and competence. Competence includes the necessary qualifications, knowledge and professional skills of internal auditors; independence and objectivity are the states in which the auditor is not influenced when performing auditing. (IIA, 2017).

In addition to the regulations of International Standards for the Professional Practice of Internal Auditing, many previous studies have researched the internal audit quality. Since the last years of the 20th century, some studies have begun to explore the role of internal audit (Sawyer, 1973; Walker et al., 2003). From these background studies, subsequent studies have developed in different directions. In which, a number of studies were carried out to find out the factors affecting the quality of internal audit activity (Van Staden et al., 2009; Prawitt et al., 2009; Messier et al., 2011; Johl et al., 2013; Ege, 2015; Krichene and Baklouti, 2020).

Prawitt et al. (2009) studied the internal audit quality in listed companies in The United States. The study used a quantitative method with the information from IIA's data sources. Research results showed the competence, independence and objectivity, and the impact of investment in internal auditing on internal audit quality. Among them, the competence is measured through the following factors: experience, certification, and training. The independence and objectivity are measured through the factors: the head of the internal audit department reports functionally to the Audit Committee. Investment in internal auditing is measured by the ratio of the total costs used for internal audits to the total assets of the company.

Christopher et al. (2009) studied the independence of the internal audit. Results were based on a critical comparison of responses from questionnaires sent out to Australian chief audit executives (CAEs) versus existing literature and best practice guidelines. They identified a number of threats to independence and effectiveness. These included using the internal audit function as a stepping stone to other positions; having the CEO or CFO (Chief Financial Officer) approve the budget of the internal audit committee or provide input for the internal audit plan; treating the internal auditor as a 'partner'; having chief audit executives not reporting functionally to the audit committee; the audit committee not having sole responsibility for appointing, dismissing and evaluating the chief audit executives; and not having all audit committee members, or at least one of them, qualified in accounting.

¹ IIA (Institute of Internal Auditors) is a professional organization for the internal auditors, founded in 1941 with headquarters in the United States. IIA has a presence and recognition in more than 190 countries and territories around the world and is currently the organization setting the standard for the performance and implementation of the internal audit activities around the world.

Different from previous studies, which were often conducted in highly developed countries, Johl et al. (2013) studied the internal audit quality in an emerging economy (Malaysia). Research results showed that competence, independence and objectivity, investment in internal auditing, and quality control affect the internal audit quality.

In 2020, Krichene and Baklouti studied key factors affecting the internal audit quality in Kuwait through a quantitative method. The research result built a model of factors affecting internal audit quality (Figure 1.1). The research results showed that the independence (including the internal auditor reporting independence, internal auditor personal relationship, the access to information of the internal auditor and the intervention field of the internal auditor), the knowledge of the internal auditor, standard compliance and relation with the external auditor are positively associated with the internal audit quality. In particular, the factors in relation with the external auditor affected the internal audit quality: the external auditor must cooperate with the internal audit department of the organization, periodic meetings between the external auditor and the internal auditor improve the quality of the internal audit, the use of the work of the internal auditor by the external auditor. The authors noted a positive and significant relationship between the relationship of the internal auditor with the external auditor and the internal audit quality. This showed that cooperation and coordination between internal auditors and external auditors influence internal audit quality.

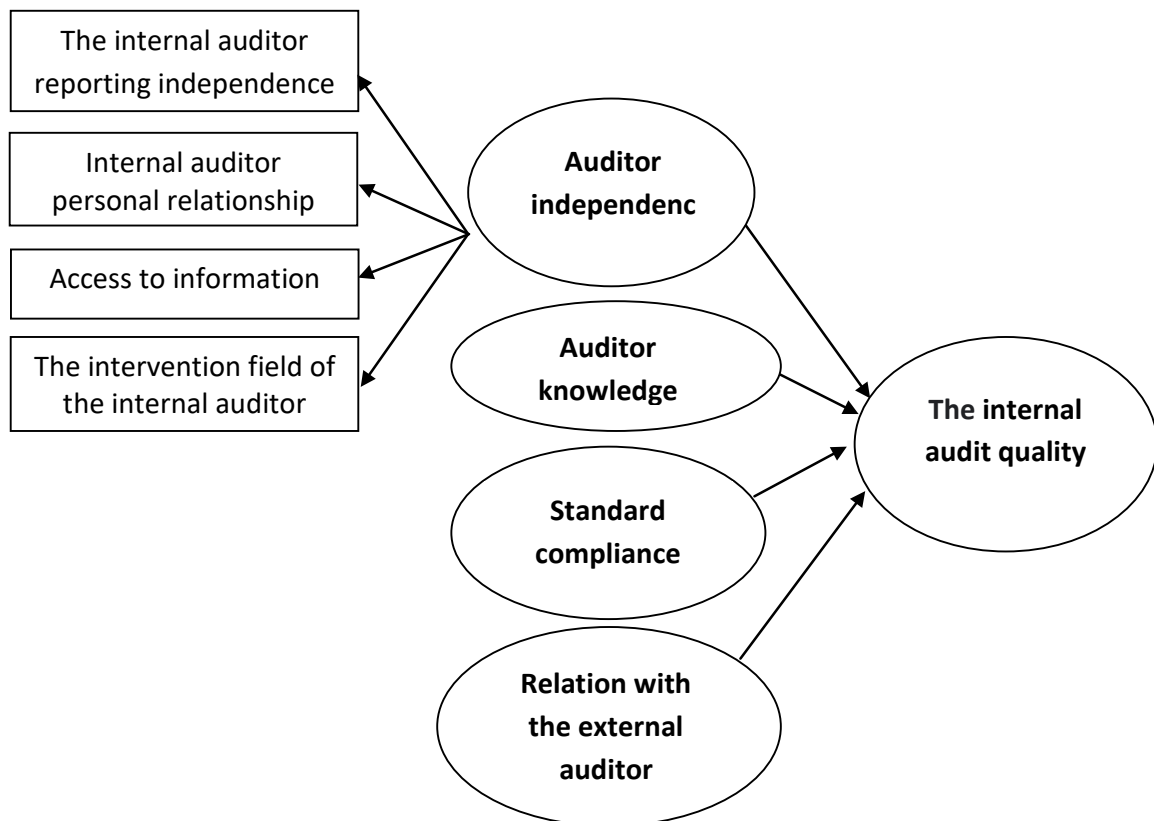


Figure 1.1: Krichene and Baklouti's measurement model of the internal audit quality (2020)

Source: Krichene and Baklouti (2020)

In the studies investigating the factors affecting the quality of internal audit activities, the factors are measured in different ways. The results show that the main factors affecting the quality of internal audit activities include:

Summary of the main factors affecting to the internal audit quality are shown in the following Table:

Table 01: Summary of the main factors affecting to the internal audit quality

Factors	Measurement	Authors
The competency	Experience of the internal auditor. The internal auditor must have at least 3 years of experience.	Van Staden et al. (2009) ; Prawitt et al. (2009); Messier et al. (2011); Ege (2015). Krichene and Baklouti (2020).
	Professional certifications: The internal auditor has one of the professional certifications such as CIA, CPA, or CFE.	Prawitt et al. (2009); Ege (2015).
	Annual training: The average number of training hours internal auditors attend during a year. The organization allows internal auditors to participate in training programs to maintain their skills and keep up to date in the field.	Prawitt et al. (2009); Messier et al. (2011); Ege (2015). Krichene and Baklouti (2020).
	Internal audit must be carried out using modern technology which uses computer data tools and specific software for internal audit.	Krichene and Baklouti (2020).
The independence and objectivity	Reporting independence: - The chief audit executive reports functionally to the Audit Committee; The chief audit executive reports functionally to the Board of Directors or the Audit Committee. - The audit committee has sole responsibility for appointing, dismissing and evaluating the chief audit executive.	Christopher et al. (2009); Prawitt et al. (2009); Messier et al. (2011). Schneider Arnold (2013); Abbott et al. (2016). Christopher et al. (2009).
	The internal audit staff has free access to the organization's information and data which can be downloaded and examined by them.	Krichene and Baklouti (2020).
	The intervention field of the internal auditor: The capacity of the internal auditor to audit the entire system and his ability to intervene in all organizational units and regular internal audit monitoring.	Krichene and Baklouti (2020).
	Approving the internal audit budget, approving decisions regarding the appointment and removal of the chief audit executive, the remuneration, the process of evaluating the competence of the chief audit executive.	Johl et al. (2013).
	Internal auditors expect to move into senior management positions in the future.	Rose et al. (2013).
	The chief audit executive has never assumed any other position in the enterprise before.	Lin et al. (2011).
	Having all audit committee members or at least one member qualified in accounting.	Raghunandan et al. (2001); Goodwin (2003); Christopher et al. (2009).

The professional standard compliance	The internal audit charter must be maintained in the "Internal Audit" department; Standards compliance.	Krichene and Baklouti (2020).
The relationship with the external auditor	The use of the work of the internal auditor by the external auditor;	Krichene and Baklouti (2020).
	The external auditor must cooperate with the internal audit department of the organization;	Krichene and Baklouti (2020).
	Periodic meetings between the external auditor and the internal auditor improve the quality of the internal audit	Krichene and Baklouti (2020).
Investment in internal auditing	Investment in internal auditing: as total in internal function annual operating costs divided by total assets	Prawitt et al. (2009); Johl et al. (2013); Ege (2015).
Quality control	Quality control: internal audit function competence, internal audit quality control assurance level, follow-up process and audit committee's involvement in reviewing the internal audit program and results	Johl et al. (2013).
Management support	Management support, organizational independence, staff competency and sound management controls enhance internal audit effectiveness.	Mahachi (2018).

Source: *Authors collected from the previous studies*

4. THE PRACTICE OF THE INTERNAL AUDIT ACTIVITY AT LISTED COMPANIES IN VIETNAM

4.1. Some current regulations in Vietnam

In Vietnam, internal audit is still a new field. In recent years, the interest in internal audit of enterprises (especially listed companies) has been increasing due to investors' demand for transparency of business activities, strict and effective control and supervision mechanism. Decree No. 05/2019/ND-CP on internal audit, issued on January 22nd, 2019 is a great step forward in the Government's efforts to enhance the role and position of internal audit in enterprises.

Decree No. 05/2019/ND-CP on internal audit, The Vietnamese Standards and the Code of Ethics for internal auditing have provided regulations and guidelines on the preparation of internal audit charters and processes. In which, there are regulations related to the internal audit quality such as the internal audit department's independence and objectivity and authority, engagement scope, competence, compliance with laws, quality assurance and improvement program, the management's responsibility for the internal audit activities.

- Independence and objectivity: In Standard 1100 - Independence and Objectivity stipulates:
- + The internal audit activity's position within the organization:

The chief audit executive reports functionally to the board¹;

The highest level of governance approves the internal audit charter, the internal audit budget and resource plan, the remuneration of the chief audit executive and decisions regarding the appointment and removal of the chief audit executive;

+ The independence and objectivity of internal auditors

Internal auditors must refrain from assessing specific operations for which they were previously responsible. Objectivity is presumed to be impaired if an internal auditor provides assurance services for an activity for which the internal auditor engaged or had responsibility within the 3 years before they are asked to stop doing that.

- **The authority of internal auditors:** In Decree No. 05/2019/ND-CP on internal audit stipulates:

+ The internal audit department is provided with necessary resources, fully and promptly provided with all necessary information, documents and records; considers and has access to all processes and assets when performing internal audit; approaches and interviews all officers and employees of the organization on issues related to audit contents;

+ The internal auditor is entitled to supervise, evaluate and monitor the repair, corrective and improvement of the leaders of the entity, divisions for the problems recognized and recommended by themselves.

- **Engagement scope:** In Standard 2220 Engagement Scope stipulates: The scope of the engagement must include consideration of relevant systems, records, personnel, and physical properties, including those under the control of third parties. In performing consulting engagements, internal auditors must ensure that the scope of the engagement is sufficient to address the agreed-upon objectives.

- **Competency:** In Decree No. 05/2019/ND-CP on internal audit stipulates:

+ Internal auditors must hold degrees in majors meeting audit requirements, acquire sufficient and updated knowledge about assigned internal audit sectors;

+ Have at least 05 years working experience in the industries relevant to their training majors or at least 03 years' experience in working for their current employer or at least 03 years' experience in working in the audit, accounting, or inspection field;

In addition to the above contents, The Vietnamese Standards and the Code of Ethics for internal auditing also stipulate and guide other relevant contents.

4.2. The practice in Vietnam

In order to review the internal audit activity in practice, we collected information about internal audit activities based on websites of listed companies and website <https://s.cafef.vn/>.

¹ Board means the highest level of governing in an organization (e.g., a Board of Directors/Council of members/president of enterprise) charged with the responsibility to direct and/or oversee the organization's activities and hold senior management accountable. The word Board can also refer to a Committee or another body to which the governing body has delegated certain functions (e.g., an Audit Committee affiliated to the Board of Directors).

Twelve (12) companies listed on two Vietnamese stock exchanges (HOSE, HNX) were selected to collect information (Appendix 01). The survey results show that these companies have established internal audit charters. Internal audit charters of these companies have introduced regulations on internal audits to ensure the quality of internal audit activities. Summary of regulations on internal audit at companies is shown in Table 02 as follows:

Table 02: Summary of regulations on internal audit at listed companies

Regulations in internal audit charters	The company
- Independence and objectivity:	
+ The position of internal audit: * The internal audit department is established by the Board of Directors. The Board of Directors directly manages the internal audit department; * The chief audit executive will report functionally to the Board of Directors; * Board of Directors approves the internal audit budget and resource plan.	AGG, CCL, DRL, TDW, VNM, SAB, HPG, MWG.
+ The position of internal audit: * The internal audit division is established by the Board of Directors. The audit subcommittee directly manages The Internal Audit department; * The chief audit executive will report functionally to The Audit Subcommittee and administratively to the Chief Executive Officer; * Board of Directors approves internal audit budget and resource plan; * The Board of Directors approves decisions regarding the appointment and removal of, as well as approves the remuneration of the chief audit executive.	TLH, DXG, SFG, TNA.
+ The independence and objectivity of internal auditors: Internal auditors will have no direct operational responsibility for any audited activities.	AGG, TLH, CCL, DRL, DXG, SFG, TDW, TNA, VNM, SAB, HPG, MWG.
+ Powers of internal audit department: Based on Decree No. 05/2019/ND-CP, the company's Internal Audit Charter also makes similar provisions.	AGG, TLH, CCL, DRL, DXG, SFG, TDW, TNA, VNM, SAB, HPG, MWG.
+ The scope of internal auditing encompasses, but is not limited to the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management, and internal controls.	AGG, TLH, CCL, DRL, DXG, SFG, TDW, TNA, VNM, SAB, HPG, MWG.
- Competency:	
+ Based on Decree No. 05/2019/ND-CP, the company's Internal Audit Charter also makes similar provisions.	AGG, TLH, CCL, DRL, DXG, SFG, TDW, TNA, VNM, SAB, HPG, MWG.
+ The chief audit executive should have relevant education/expertise and adequate audit experience, have the in-depth business knowledge and other relevant skills; + Internal auditors need to be trained to perform audits. Training should be maintained regularly so that internal auditors can keep up with industry developments and improve their professional skills.	TLH
- Management's support: Based on Decree No. 05/2019/ND-CP, the company's Internal Audit Charter also makes similar provisions.	AGG, TLH, CCL, DRL, DXG, SFG, TDW, TNA, VNM, SAB, HPG, MWG.

- Compliance with professional standards: The internal audit department is in compliance with legal regulations, internal audit standards, and professional ethics.	AGG, TLH, CCL, DRL, DXG, SFG, TDW, TNA, VNM, SAB, HPG, MWG.
- Quality assurance: is carried out following the provisions of Vietnamese and international internal audit standards. Following the provisions of The Vietnamese Standards and the Code of Ethics for internal auditing.	AGG TLH, CCL, DRL, DXG, SFG, TDW, TNA, VNM, SAB, HPG, MWG.
- In addition to the above provisions, The Charter also stipulates other relevant contents based on the provisions of the Decree and The Vietnamese Standards and the Code of Ethics for internal auditing.	AGG, TLH, CCL, DRL, DXG, SFG, TDW, TNA, VNM, SAB, HPG, MWG.

Source: *Information collected by authors*

In summary, the internal audit charters of these companies all stipulate the following contents:

- Independence and objectivity: The position of internal audit, independence and objectivity, the field of intervention, the access to information (scope and authority).
- Competency;
- Adherence to professional standards;
- Quality assurance;
- Management support for internal audit.

In order to conduct internal audit activities effectively, listed companies must ensure the implementation of the above contents, in which, the important contents emphasized by listed companies are ranked in the following order.

Independence and objectivity

Internal audit standards require the internal audit department to be independent and objective in its performance. In fact, independence and objectivity are the main issues that need to be ensured first for internal audit quality. In the elements of independence and objectivity, the field of intervention of internal audit, access to information and the position of the internal audit ((including reporting independence) are the important elements.

The field of intervention of internal audit is an essential component because when internal auditors are authorized to examine all of the organization's systems, and regularly monitor corrective actions, audit objectives can be achieved. However, if the enlargement of the scope of the internal auditor is a prerequisite, this condition is not sufficient to support the independence of the internal auditor but rather to ensure access to information of internal auditors.

The independence in reporting helps internal auditors to ensure objectivity in carrying out their mission and in the drafting of their report, to provide a reliable report that shows the real situation of the company and allows people to make the right decision.

Competence: Experience plays an important role in acquiring the technical knowledge needed to practice internal audits effectively.

In addition, the actual survey on internal audit activity of some listed companies shows that the percentage of internal auditors who have CIA, CPA, CFE certificates or other professional qualifications in the public sector, computer technology, big data, artificial intelligence in listed companies is still low.

5. DISCUSSION AND CONCLUSION

By comparing the results with the previous studies, the regulations of internal standards and practices applied in some listed companies, there are still theory-to-practice gaps, namely:

- Between previous research results and regulations of internal audit standards: Previous studies have pointed out many factors that should be paid attention in internal audit activity. However, these factors have not been addressed in detail in audit standards. Specifically, on the relationship with the external auditor, the following factors need to be considered: the external auditor takes the internal auditor's work into consideration, the external auditor cooperates with the internal audit department of the organization, periodic meetings between the external auditor and the internal auditor improve the quality of the internal audit. In terms of competence, there are some important factors that need additional attention. The first thing is the internal auditor must have a certification in the audit, such as CIA, CPA, or CFE. Secondly, internal audit must be carried out by modern technology which uses computer data tools and specific software for internal audit. The last factor is the number of hours that the internal auditor participates during the year. Independence and objectivity include the process of assessing the chief audit executive of the internal audit department, the expectation to move into senior management positions in the future of internal auditors and having an independent member qualified in finance and accounting in the Audit Committee.

- Internal audit charters of listed companies and internal audit standards: Some listed companies (especially large ones) had performed internal audits before the standards were issued. Listed companies have more detailed regulations than the standards such as the position of internal audit. Besides, the charters of listed companies have emphasized more on independence and objectivity, experience.

- The gap between previous researches and practice in listed companies: Although the internal audit charter of listed companies is more detailed than the standard, the results from previous studies have not promptly supplemented yet. Specifically, listed companies have not paid attention to factors such as relationships with external auditors, professional certification, annual training, using modern technology which uses computer data tools and specific software for internal audit, independence and objectivity.

Based on the above research results, we propose some recommendations as follows:

The Ministry of Finance should supplement guidance on internal audit activities in addition to the provisions mentioned in the internal audit standards.

In term of the relationships with the external auditor: There should have regulations and guidelines on taking the internal auditor's work into consideration by the external auditor, cooperating between internal and external auditors and having periodic meetings between the

internal and external auditors to improve the quality of internal audit. Taking the internal auditor's work into consideration will motivate internal auditors to perform better. On the other hand, if the external auditor ignores the internal auditor's report and conducts the audit as if it doesn't exist, it will discourage the internal auditor to improve his or her work. Therefore, the cooperation between the internal auditor and external auditor will create new opportunities to improve the internal auditor's competency and efficiency. Also, this is explained by the complementarity of the two functions. The scope of an internal audit intervention is wide because it involves all activities of the organization. Therefore, the cooperation between internal and external auditors helps the external auditors to perform their duties properly, which helps to strengthen and improve the quality of internal audit. In addition, the evaluation of the internal control system represents a point of convergence between the internal auditor and the external auditor. Indeed, even if the apprehension of internal control is different between the two professions, it is nonetheless a major concern for both. Therefore, according to the internal auditors, for the sake of efficiency and quality improvement, they should coordinate their activities better and rely on their respective skills and resources.

With regard to competence: Attention should be paid to obtain professional certification such as CIA, CPA, CFE; internal audits must be carried out by using modern technology which uses computer data tools and specific software; there should be regulations on continuously updating professional knowledge as well as minimum requirements for training time and content.

Independence and objectivity: it is necessary to pay more attention to the competency assessment process of the internal audit department's chief audit executive, the matter of the Internal auditors expecting to move into senior management positions in the future, the presence of an independent member qualified in finance and accounting in the audit committee.

The Ministry of Finance should also emphasize the importance of the field of intervention and access to information of the internal auditors.

Listed companies need to supplement some following contents when developing internal audit charter.

In terms of competence, it is necessary to focus on obtaining professional certification such as CIA, CPA or CFE; Internal audit is performed by using modern technology (artificial intelligence) on the basis of big data. With the help of artificial intelligence, the risk management process is reflected, giving early risk warnings for listed companies to take appropriate measures in time to deal with potential risks.

Artificial intelligence technology based on big data promotes the development of listed companies by continuous improvement of corporate governance. Therefore, the internal audit department of listed companies needs to strengthen the construction of an internal big data system and an internal audit based on artificial intelligence. In order to maintain and develop an internal audit team with sufficient expertise and capacity, the company should develop an appropriate training program and budget for internal audits. On the relationship between internal and external auditors, independence and objectivity and the factors mentioned above should also be taken into account.

Besides the new points, the study still has some limitations. Our research only examines the practice of internal audit activities at some listed companies. Further studies can expand the sample to the remaining listed companies on the two Vietnam stock exchanges (HOSE, HNX) so that the sample can be representative of the population.

In addition, based on the model of previous studies presented in the literature review, subsequent studies can test this model based on the data of companies in Vietnam.

APPENDIX

APPENDIX 01: List of listed companies in the survey

No.	Company	Securities code
01	Tienlen Steel Corporation Joint Stock Company	AGG
02	An Gia Real Estates Investment and Development Joint Stock Company	TLH
03	Cuu Long Petro Urban Development & Investment Corporation	CCL
04	Hydro Power Joint Stock Company – Power No.3	DRL
05	Dat Xanh Group JSC	DXG
06	Phan Bon Mien Nam Joint Stock Company	SFG
07	Thu Duc Water Supply Joint Stock Company	TDW
08	Thien Nam Trading Import Export JSC	TNA
09	Vietnam Dairy Products Joint Stock Company	VNM
10	Saigon Beer-Alcohol-Beverage Joint Stock Corporation	SAB
11	Hoa Phat Group	HPG
12	Mobile World Investment Corporation	MWG

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ASSESSING THE NEEDS FOR TRAINING IN PRIVATE ENTERPRISES: A CASE STUDY OF ACCOMMODATION AND TRAVEL FACILITIES IN QUANG NGAI PROVINCE

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Abstract: *The article uses the document research method and the survey method to analyze the current situation of the quality of the workforce in the field of accommodation and travel in Quang Ngai Province according to Vietnam Tourism Occupational Standards (VTOS). The research results show that: a) employees in management positions have higher qualifications and training equivalent to the VTOS occupational level than employees in other positions; b) there is a large shortage of qualified labor resources in both accommodation and travel sectors, about 20% - 30% of the employees do not meet the requirements for groups of core (common) competencies, management competencies and responsible tourism competencies. Based on the research results, the author has given some discussions and recommendations to develop the workforce in these two areas.*

Keywords: *Private economy, VTOS, tourism human resource development, Training needs*

1. INTRODUCTION

The private economy is the type of economy that occupies a large number and plays a very important role in most countries. The constantly growing private sector is an important driving force for Vietnam's innovation and socio-economic development. Resolution of the 13th National Party Congress with many new views and orientations on State management of the economy, including views and major breakthroughs in the private economy, so that the private economy is an important driving force contributing to the development of our country's socialist-oriented market economy. In fact, there are still many difficulties hindering the development of the private economy, one of which is human resources.

The private sector has developed in many fields, including tourism. Developing tourism into a spearhead economic sector is a common responsibility of the whole society. However, it can be said that the first responsibility belongs to tourism businesses because the workforce of which plays a pivotal role in the tourism industry and determines the success and effectiveness of the objectives proposed by the Party and State for the whole industry. The COVID-19 pandemic has put the tourism industry in a position of being forced to transform, even forcing businesses to adapt to the impacts; accelerate digital transformation, restructure the organizational structure and improve the capacity of the workforce.

The 20th Congress of the Party Committee of Quang Ngai Province has decided four key tasks and three breakthroughs in the 2020-2025 term. Accordingly, gradually promoting tourism

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development to become a spearhead business sector for the impulse of economic development is one of the four major tasks and development of high quality human resource is one of the three breakthroughs of Quang Ngai province in this term. However, tourism development in Quang Ngai has still revealed many limitations in recent years, including the unsustainable development of many tourism businesses in terms of quantity and quality of well-trained tourism human resources. This has posed many challenges for local managers in coming up with possible solutions to develop human resources in tourism businesses towards sustainable development in Quang Ngai province in the coming time.

The article analyzes the current situation of the quality of the workforce in the field of accommodation and travel according to Vietnam Tourism Occupational Standard (VTOS), then shows the gap in job performance between practice and professional standards in these two fields. On that basis, the article concludes and makes recommendations related to the workforce in the field of accommodation and tourism in order to support Quang Ngai province with training solutions to improve the quality of human resources in tourism enterprises.

2. THEORETICAL BASIS

Davis and Davis (1998) found that training is the process in which skills are developed, information provided and attributes are nurtured in order to help individuals work in organizations more effectively and efficiently.

Raymond, John, Bary and Patrick (2016) stated that training consists of an organization's planned efforts to help employees acquire job-related knowledge, skills, abilities, and behaviors, with the goal of applying these on the job.

Assessing the needs for training, the process of evaluating the organization, individual employees, and employees' tasks to determine what kinds of training, if any, are necessary (Raymond et al., 2016).

In this study, assessing the needs for training in accommodation and travel facilities the author uses the concept of Raymond et al. (2016) and Vietnam Tourism Occupational Standard (VTOS) as follows:

2.1. Assessment of training needs

There are a number of research models for analyzing training needs. However, studies in the world and Vietnam mostly use the model of Blanchard and James (1999) in analyzing training needs in organizations. Training needs analysis aims to determine what type of training is needed including organizational analysis, personal analysis and job analysis. For the above reason, the paper applies the training needs analysis model proposed by Blanchard and James (1999) and developed Raymond et al (2016)'s study in this research.

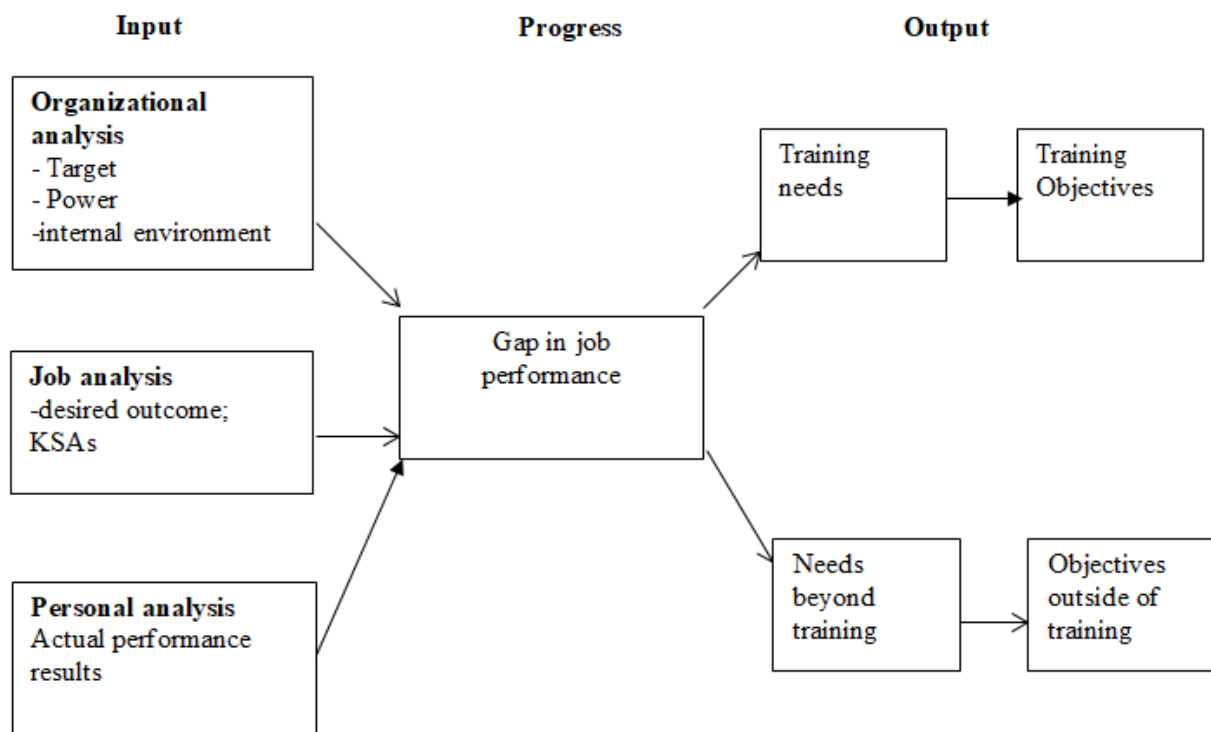


Figure 1: Analysis of training needs

(Blanchard and James, 1999, p.129)

Performance Gap = Standard Performance – Actual Performance

When the actual performance results are very different from the desired results, a performance gap exists. Such a gap may appear due to the following reasons:

Cause 1: the employees themselves lack knowledge, skills and attitudes, so it is necessary to conduct training (training needs). Organizations need to design and select training programs in line with clear training objectives.

Cause 2: inappropriate organization and management such as unreasonable salary and bonus regime, difficulties for employees, inappropriate management (needs outside of training). The organization needs to change the way it is organized and managed.

2.2. Vietnam Tourism Occupational Standard (VTOS)

The VTOS is a set of standards for Vietnamese tourism skills under the Environmentally and Socially Responsible Tourism Capacity Development Program funded by the European Union (EU Project). VTOS was built by International and Vietnamese experts and was appraised, approved and released by the Vietnam Tourism Certification Board (VTCB) in 2007. The 2015 new version of VTOS was approved by the Vietnam National Administration of Tourism (VNAT) to deploy training activities within the framework of the EU Project. The VTOS standard also includes 4 specialized areas (hotel management, small accommodation operation, on-site tour guiding, tourist boat service) to meet the unique needs of Vietnam's tourism industry. (VNAT, 2015).

The VTOS documents are posted on the website <http://vtos.esrt.vn/> in both Vietnamese and English to help employees, employers, teachers and students of tourism schools approach, apply and implement VTOS standards with the goal of improving the quality of tourism services as well as the effectiveness of tourism vocational training in a unified manner. Currently, VTOS standards have been widely applied in training employees in enterprises as well as training professionals who are lecturers and teachers of colleges and universities and are appraised by The Tourism Professional Certification Council with nearly 3000 trainers, 160 appraisers, 16 assessment centers and 57 tourism vocational assessment centers, one set of 10 Tourism Occupational Standards (VTOS) has been approved, adjusted and harmonized with ASEAN Standards on Tourism.

The VTOS standard for the tourism industry is divided into two main sub-sectors (Hospitality and Tourism) including six main occupations that are relevant to ASEAN: Tourist accommodation (receptionist, housekeeper, restaurant server, food processing job titles) and travel (tourism operator and travel agent) with 32 job titles.

Assessment of qualifications for surveyed job positions in tourism businesses according to VTOS and training courses are equivalent in terms of content/programs with that of the VTOS occupational standards. The VTOS consists of five qualification levels in six key occupational areas.

Besides, according to VTOS, the assessment of employees is based on competency units including 5 units of competence: Functional (technical/professional); Core (common); Generic (job related); Management; Responsible tourism.

- Functional (technical/professional) competencies are specific to roles or jobs within the tourism industry, and include the specific skills and knowledge (know-how) to perform effectively (e.g. food service, tour guiding service etc.).

- Core (common) competencies include the basic skills that most employees should possess (e.g., working with others, language and IT skills). These competencies are essential for anyone to do their job competently.

- Generic (job related) competencies are those competencies that are common to a group of jobs. They often include general job competencies that are required in a number of occupations (e.g., health and safety), as well as job specific competencies that apply to certain occupations more than others (e.g., close the shift).

- Management competencies are the generic competencies for roles in an organization that involve managing, supervising or influencing the work of others in some way. They may be specific to a job role (supervise housekeeping operations) or general to any supervisory/management role (arrange purchase of goods and services etc.).

- Responsible tourism competencies are the specific skills required for the operation and management in the organisation for the enhancement of the quality of services and products towards a sustainable tourism development, operations and products of responsible tourism.

3. FRAMEWORK OF RESEARCH METHODOLOGY

Research objectives: The article analyzes the current status of the quality of the workforce in the field of Hospitality and Travel including the analysis of educational attainment by qualifications

of the staff; compares tourism qualifications equivalent to VTOS's and addresses employee performance based on 5 VTOS competency units.

Research scope:

Time scope: Secondary data were collected for the period 2015-2019; primary data were collected from March to April 2021;

Spatial scope: Research accommodation and travel establishments of the type of private enterprises in Quang Ngai province; Survey subjects: 11 hotels from 3 to 5 stars and 7 medium-sized travel businesses operating effectively in Quang Ngai province;

Content scope: Detailed analysis of tourism education and professional qualifications for six fields in 2 sub-sectors of Accommodation and Travel; Analysis of work efficiency, the overall analysis of job positions in these two sub-sectors. The investigation and analysis are only carried out for management positions and main employment positions in accommodation and travel establishments, which have a great influence on business activities.

Research methodology

The study used quantitative research method through direct interview technique. The data collection tool in the study is a questionnaire. The questions used were closed-ended questions with responses measured on a clear scale level. Interviewees are representatives of 11 hotels and 7 travel businesses. These participants are directors, deputy directors or head of human resources. They were selected because of their knowledge, expertise relevant to the research problem and their understanding of the organization's workforce. After completing the survey, the collected data will be imported into Excel software for analysis.

4. RESEARCH RESULTS

4.1. Analysis of research results of accommodation facilities

*** Statistics of research samples**

The study surveyed 11 hotels (from 3-5 stars), one person representing the hotel i.e., director, deputy director, head of human resources was interviewed. The total number of survey participants was 11 people, including 4 directors and 7 deputy directors. According to updated data until December 31, 2019 of the Department of Culture, Sports and Tourism of Quang Ngai, the total number of accommodation establishments from 3- to 5-star hotels is 12 establishments of private enterprises, so the survey has been carried out for 91, 7% of the total.

*** *Workforce survey in accommodation sector***

Table 1 provides information on the number of workers in enterprises provided by survey participants. The positions with the largest number of employees are receptionist and kitchen assistant; supervisory and management positions account for a low percentage. In terms of gender, the majority of women (over 60%) surveyed work in the front desk and over 70% of females are in room attendant. In general, the majority of men (90%) are in the food processing department. Catering services in the hotels were surveyed and interestingly, over 90% of males work as head chefs.

Table 1 . Number of employees in the field of accommodation

Job titles	Total	Male		Female	
		Quantity	Percentage	Quantity	Percentage
Front desk manager	30	10	33.33	20	66.67
Front desk supervisor	28	12	42.86	16	57.14
Receptionist	52	11	21.15	41	78.85
Executive housekeeper	13	2	15.38	11	84.62
Laundry Manager	11	1	9.09	10	90.91
Floor supervisor	22	5	22.73	17	77.27
Chef	11	10	90.91	1	9.09
Sous chef	41	25	60.98	16	39.02
Pastry chef	11	9	81.82	2	18.18
Restaurant manager	12	10	83.33	2	16.67
Waiter Supervisor	35	24	68.57	11	31.43

(Summary of the author's survey)

***Analysis of the current situation of trained workers**

Regarding the educational attainment of the staff in key positions of the surveyed accommodation, the majority of employees who hold positions as reception manager, front desk supervisor and front desk officer have bachelor's degrees; only a smaller number of staff hold intermediate or college diplomas. In general, the higher the job title is, the greater the percentage of employees work in these positions with a bachelor's or graduate degree. For the 2 surveyed titles of housekeeping department, more than 50% of employees have college or intermediate degrees, few have only high school degrees (7.69% - 22.73%), and especially in the position of laundry manager, the minor number has a bachelor's degree, but a lot of them have a high school diploma (54.55%). In the food processing department, the majority of chefs (about 60%) have an intermediate or college degree and a relative number (about 30%) only have a high school diploma. The number of chefs with bachelor's and postgraduate degrees is very small. Finally, in the food service department, about 25% of food service managers have bachelor's degrees and more than 60% have college or intermediate degrees.

The Vietnam Tourism Occupational Standards (VTOS) have been combined with the ASEAN tourism professional standards. This is a standard tool to compare the quality of tourism labor in the country with regional and international occupational standards for supporting the management, planning of tourism human resources and developing vocational training plans for the industry, and at the same time helping businesses in the field of accommodation with textbooks/documents to carry out their work, on-site training. On the basis of vocational levels equivalent to VTOS occupational standards, table 2 points out the actual situation of workers receiving vocational training in the field of accommodation according to occupational standards.

Table 2. Occupational level of workers

Job titles	Certificate 1		Certificate 2		Certificate 3		Diploma 4		Diploma 5		None	
	Q	%	Q	%	Q	%	Q	%	Q	%	Q	%
Front desk manager	3	10.0	5	16.7	8	26.7	2	6.7	1	3.3	11	36.7
Front desk supervisor	2	7.1	5	17.9	7	25.0	5	17.9	0	0.0	9	32.1
Receptionist	8	15.4	18	34.6	5	9.6	0	0.0	0	0.0	21	40.4
Executive housekeeper	1	7.7	2	15.4	3	23.1	2	15.4	1	7.7	4	30.8
Laundry Manager	1	9.1	2	18.2	1	9.1	0	0.0	0	0.0	7	63.6
Floor supervisor	1	4.5	5	22.7	4	18.2	0	0.0	0	0.0	12	54.5
Chef	2	18.2	2	18.2	3	27.3	0	0.0	0	0.0	4	36.4
Sous chef	8	19.5	5	12.2	4	9.8	0	0.0	0	0.0	24	58.5
Pastry chef	2	18.2	1	9.1	1	9.1	0	0.0	0	0.0	7	63.6
Restaurant manager	1	8.3	2	16.7	3	25.0	2	16.7	0	0.0	4	33.3
Waiter Supervisor	5	14.3	7	20.0	4	11.4	0	0.0	0	0.0	19	54.3

(Summary of the author's survey)

Table 2 shows that the percentage of employees who are trained equivalent to VTOS career levels has a great difference between positions and titles. In the position of reception manager, front desk supervisor, room department manager and chef, the average restaurant manager has more than 60% of the staff who are trained in terms of content or have a VTOS certificate or equivalence. Meanwhile, less than 50% of the staff who work with positions such as laundry manager, floor supervisor, kitchen assistant, pastry chef and waiter supervisor are trained suited to VTOS standards or equivalence. The data also show that the higher the position is, the higher the percentage of employees owns vocational certificates equivalent to VTOS at the Level 3 VTOS level compared to other levels, such as the positions of front office manager, manager receptionist, housekeeping manager, floor supervisor, chef, restaurant manager. The data also shows that there is a negligible number of employees with training or certification equivalent to level 4 and level 5 VTOS.

***Analysis of labor efficiency**

In addition to overall job performance, the managers of the surveyed hotels were also asked to rate the performance of their employees based on 5 VTOS competency units, including functional (technical/professional); core (common); generic (job related); management; responsible tourism on a 3-level scale; Level 1: do not meet job expectations; Level 2: meet job expectations; Level 3: Exceed job expectations. Each of those units specifically identifies the skills, knowledge, and behaviors/attitudes required to meet job requirements.

Table 3 presents the overall effectiveness of the jobs of the surveyed positions. The analysis results show that the majority of employees in all positions and titles (60%- over 70% in most job titles) meet the job requirements according to all VTOS competency units. There are a small number of employees, about 6% -10% of the majority of positions, rated as excellent employees with performance exceeding expectations; about 20-30% of employees are assessed as not meeting the job needs.

For each specific competency unit, three groups of units - Basic (common) Competency Units, Management Competency Units and Responsible Tourism Competency Units - have a percentage of employees unsatisfactory is relatively higher than other capacity units (accounting for about 20% - 30%).

These three units of competence are not specific to any job position and have the potential to negatively affect the overall performance of the business. This is clearly a problem that hotels need to solve, especially for supervisory and management positions, to improve the quality of their services.

The results show that the use of VTOS units of competence can bring many benefits to enterprises in assessing work performance and management, because it is possible to evaluate individual's work performance on many different aspects. This finding helps both managers make comments and suggestions on work performance for each employee more easily and businesses organize more appropriate training activities for employees labor.

Table 3. Effective use of units of competence in job positions

Items	Do not meet expectations	Meet expectations	Exceed expectations
Responsible tourism competencies	30.10%	60.5%	9.4%
Management competencies	28.20%	61.9%	9.9%
Generic competencies	20.50%	70.1%	9.4%
Core competencies	25.50%	68.5%	6.0%
Functional competencies	16.10%	73.9%	10.0%
Overall quality	14.10%	77.5%	8.4%

(Summary of the author's survey)

4.2. Analysis of research results of travel enterprises

** Statistics of research samples*

By the end of 2020, Quang Ngai province has only 25 licensed travel companies. This study selects medium sized enterprises, which have competitiveness and high business efficiency. There are 7 private travel enterprises selected for the survey, the survey participants are 7 directors of these 7 enterprises, they are the staff with knowledge and understanding of the workforce in the enterprises.

Table 4. Total number of employees in surveyed travel enterprises

Job titles	Total	Male		Female	
		Quantity	Percentage	Quantity	Percentage
Travel advisor	40	12	30.00	28	70.00
Product manager	7	3	42.86	4	57.14
Customer service and marketing manager	7	2	28.57	5	71.43
Travel operator	37	17	45.95	20	54.05
Tour guide	35	25	71.43	10	28.57

(Summary of the author's survey)

Table 4 shows that the percentage of female staff in other positions is higher, except for the position of tour guide. In particular, the percentage of women working in the position of travel advisor (70%) and customer service & marketing manager (71.43%) is almost double that of men in the same position. For positions such as product manager, the difference between male and female is less.

* Survey on the qualifications of the workforce in travel enterprises

Overall, the majority of staff in positions hold a bachelor's degree (ranging from 35% for travel advisor to 68.57% for guides), while the remaining three qualifications are different for with each location. First, the travel advisor position has a percentage of employees with only a high school diploma (5%). Also in this position, the majority of employees have a college degree (60%), 35% have a university degree and do not have a postgraduate degree. Secondly, in the position of product manager, 14.29% of the staff get postgraduate qualifications, the majority have a university degree (57.14%) whereas 28.57% of the hotel staff hold college/intermediate degree. Third, employees who hold positions as customer service manager and marketing manager, have a relative postgraduate degree (28.57%), a university degree is 57.14%; having college/intermediate degree decreased as compared to other positions, accounting for 14.29%. The last two positions, travel operator and tour guide, are quite similar in terms of staff qualifications. Most of the staff have a bachelor's degree (67.57% and 68.57% respectively), no graduate degree, only a small percentage of tour guides have a high school diploma 8,57%.

Table 5. Occupational level of workers

Job titles	Occupational level of workers					
	Certificate 1	Certificate 2	Certificate 3	Diploma 4	Diploma 5	None
Travel advisor	20.00%	27.50%	22.50%	0.00%	0.00%	30.00%
Product manager	0.00%	14.29%	28.57%	14.29%	14.29%	28.57%
Customer service and marketing manager	0.00%	14.29%	14.29%	28.57%	14.29%	28.57%
Travel operator	10.81%	18.92%	24.32%	10.81%	8.11%	27.03%
Tour guide	5.71%	25.71%	17.14%	5.71%	8.57%	37.14%

(Source: Summary of the author's survey)

Table 5 shows that the percentage of employees trained according to the VTOS Occupational Standards or equivalent training courses varies widely between positions. For positions such as Travel operator and Tour guiding, about 70% of them have been trained with VTOS-equivalent programs.

On the other hand, the proportion of employees with similar training in the positions of travel operator, product manager; customer service and marketing manager is higher (over 70%), only from 27.03% - 28.57% have not been trained according to standards or other equivalent training courses.

For such trained employees, the majority of those in junior positions have level 1, 2, and 3 certifications while management positions have a higher percentage of level 4 and 5 certifications than.

**Analysis of labor efficiency*

The data in table 6 presents information on the current level of performance of tour operators. In addition to the overall performance, the interviewees were asked to rate the employee's performance according to 5 VTOS competency units. Each of those units specifically identifies the skills, knowledge, and behaviors/attitudes required to satisfactorily meet job requirements. A detailed description of these competency units is presented in Table 6.

The data shows that the majority of employees in all positions and titles (65.3%-71.5%) meet the job requirements according to all VTOS capacity units. Only a small number of employees, less than 10% for most positions, are rated as excellent employees, with performance exceeding expectations. However, more than 20% of employees are assessed as unsatisfactory according to the capacity units. This situation is very alarming and needs to be resolved.

Table 6. Effective use of units of competence in job positions

Item	Did not meet expectations	Meet expectations	Exceeded expectations
Responsible tourism competencies	31.10%	66,5%	2.4%
Management competencies	30,5%	68,5%	1%
Generic competencies	20.50%	70.1%	9.4%
Core competencies	25.50%	65,3%	9,2%
Functional competencies	24,8%	66,5%	8,7%
Overall quality	20.10%	71.5%	8.4%

(Source: Summary of the author's survey)

5. DISCUSSING RESEARCH RESULTS

The quality of the workforce as well as the shortage of qualified workers is a top concern of the entire accommodation sector. The survey results provide us with the following information about the accommodation and travel workforce:

Firstly, management positions have a higher level of training (equivalent to VTOS) than non-management positions in accommodation establishments and in the travel industry; Employees who deal directly with customers are generally more qualified than other positions; Very few staff/supervisors/managers have achieved graduate level in both Hospitality and Tourism.

Secondly, the results of this study show that the majority of the workforce is assessed to meet job requirements with the percentage of employees meeting job requirements in the Accommodation sector accounting for around 60.5 – 77.5% and in the Travel sector 65.3% – 71.5%. Furthermore, approximately 10% of employees in both areas were rated as excellent employees. However, there are still at least about 14.1% - 30.1% of the employees in the Hospitality sector and between 20.1% and 31.1% of the employees in the Travel sector who are assessed as unsatisfactory meet the minimum requirements of the job. This is the most serious problem pointed out in this study and organizations and businesses need to develop a comprehensive plan to effectively deal with this problem.

Thirdly, investigative research shows that the problem of workforce performance in both the accommodation and tourism sectors can be most clearly seen in the Core competencies

units (Basic skills most employees required), management competencies (supervising or having some influence on the work of others) and responsible tourism competencies (Specific skills required for the operation and managers at the organization to improve the quality of services and products towards sustainable tourism development) in all positions, more than 20% do not meet the requirements for competencies units. The lack of these units of competence not only affects the quality of the employee's own work, but also negatively affects the work quality of other employees and the overall efficiency of the organization/enterprise.

Finally, improving the quality of the workforce in enterprises is very necessary. However, many organizations/enterprises do not pay much attention to this issue. The surveyed organization/enterprises are aware of the important role of on-the-job training and retraining for all positions/titles in this study, however businesses in the field of accommodation has not really paid attention to this challenging task, only about 50% of businesses surveyed have dedicated a separate budget for training, while only about 30% of travel businesses have a dedicated source of funding budget for training.

The results of the research are similar to the results of the 2015 Tourism Workforce Survey in the Region of 3 Central Coast provinces: Thua Thien Hue, Da Nang City and Quang Nam. According to the survey results of this project, about 15% - 20% of the employees in the accommodation sector and nearly 30% of the employees in the travel enterprise are assessed as not meeting the job requirements of the Environmentally and Socially Responsible Tourism Capacity Development Program funded by the European Union. This project also identifies: The issues of quality and quantity of the current workforce of the tourism industry are major challenges for Vietnam when integrating into the ASEAN regional economy (AEC) and the world, key positions in key areas such as accommodation and travel in Vietnam are likely to be filled by foreigners due to a lack of qualified human resources. This seriously affects the capacity of the industry and the implementation of the set goals of the National Tourism Development Strategy to 2020, with a vision to 2030.

6. CONCLUSIONS AND RECOMMENDATIONS

6.1. Labor in accommodation facilities

According to the survey results on the assessment of training needs, the gap between the actual job performance through the survey and the VTOS Occupational Standards is still quite large. One of the reasons is that the employees themselves in some job positions lack knowledge, skills and attitudes so they need to conduct training (training needs). Organizations need to design and select training programs in line with clear training objectives. The article makes some recommendations as follows:

+ Accommodation facilities need to determine what areas of training and how to train effectively. The form of training in enterprises, working while studying is the choice of most tourism businesses today so it is necessary to choose the trainers who are the most experienced staff or supervisors, both in knowledge and skills, including effective communication skills, solid knowledge, pedagogy, and the ability to flexibly apply training principles. Businesses should take advantage of external sources of professional support such as the EU Project or the Quang Ngai Department of Culture, Sports and Tourism in training for staff.

+ Accommodation facilities should prioritize building the next generation of leaders from within due to the shortage of management and supervisory human resources to meet the requirements of the tourism industry, so it is necessary to plan personnel and predict the possibility of promotion, not only based on factors of professional competence but also other competencies such as leadership qualities, motivational skills, assignment of tasks, planning and control.

+ Enterprises and vocational training institutions must promote a network of training links and coordinate with the Department of Culture, Sports and Tourism.

6.2. Labor in the travel enterprises

With the potential for tourism development of Quang Ngai province in the future, the management and development of a team of tour guides with sufficient quantity and high quality is one of the priorities for state management tourism agencies and tourism training institutions.

The percentage of workers in all positions have advanced university degrees, but the level of training in tourism is low (on the basis of VTOS or equivalent career levels), especially positions travel advisor and tour guide. This will greatly affect the service quality of the tour programs and the satisfaction and experience of visitors.

Travel businesses have not really appreciated the role of travel activities, so the construction of on-the-job training funds of enterprises is very low, even though they lack professional knowledge. Most travel businesses have a small number of employees, mainly concurrently holding many positions that require professional skills, thus affecting the quality of work. To improve the quality of labor in the travel industry, the article has some recommendations as follows:

+ Travel businesses must raise awareness of their own role, proactively organize training to improve their staff's professionalism, and at the same time coordinate with tourism vocational training institutions to create favorable conditions for tourism professionals students get practical work during the training period and recruit labor force with tourism profession.

+ The state management agency in charge of tourism supports small travel businesses (with a small number of employees) in continuing to train skills, through professional training courses organized by the General Department of Tourism, the Department of Culture and Sports Chemistry, Sports and Tourism and other non-governmental organizations.

+ Tourism vocational training institutions must closely coordinate with enterprises, find out the actual needs of enterprises about the requirements/standards for future employees in order to develop appropriate training programs, agree looking for internship opportunities for students before graduation.

This study has certain limitations on the sample and several sub-sectors in tourism. Subsequent studies should be carried out by conducting in-depth research topics with larger samples to evaluate the training needs of the workforce at tourism enterprises in Quang Ngai province.

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FACTORS AFFECTING THE COVID-19 RESPONSE STRATEGIES OF MICRO AND SMALL ENTERPRISES IN VIETNAM

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Abstract: *This study aims to identify and evaluate the impact of factors on the choice of Covid-19 response strategies of micro and small enterprises in Vietnam. By using the Multivariate Probit Model, the influence of factors on the Covid-19 response strategies' selection (including the entrepreneur's age and gender, government's lockdown measures, government's support, bank credit accessing ability) has been determined. The results show that all factors have a certain influence with different levels. In some cases, the impact of the influencing factors is positive. In addition, some differences in the choice of response strategies in different economic sectors are found out. Based on the research results, some recommendations are proposed to make it easier for micro and small businesses to choose strategies to respond to the pandemic, then quickly recover and develop.*

Keywords: *response strategies, the Covid-19, micro and small enterprises*

1. INTRODUCTION

The Covid-19 pandemic has changed the world, negatively and directly affecting all aspects of the international economy and trade. Up to now, the pandemic has spread and developed complicatedly on a global scale. In Vietnam, domestic activities have been affected since January 2020 due to the increase in social distancing and travel restrictions. After that, the whole country entered the blockade (social isolation) period from April 2020. So far (*September 2021*), Vietnam has experienced 4 outbreaks of Covid-19; in which, the 4th outbreak is “challenging” the ultimate endurance limit of businesses. In particular, the group of businesses most negatively affected are those that are only 3 years old and those with micro and small scale. (*Report of VCCI & WB, 2021*).

In terms of business size, the micro and small business sector has the largest number of enterprises in Vietnam. Up to December 31, 2019, the whole country had 449,031 micro-sized enterprises, accounting for 67.2% of the number of enterprises in the country, up 10.0% over the same period in 2018; there were 179,319 small-scale enterprises, accounting for 26.8%, up 8.6%. On average, in the period 2016-2019, the micro and small business sector accounted for 93.7% of the total number of enterprises in the country (*White Book on Vietnamese Enterprises, 2021*).

In response to the spread and negative impacts of the Covid-19 pandemic, the Government of Vietnam has implemented diverse and flexible containment measures such as isolation, partial blockade, total blockade, etc., and supporting policies on taxes, fees, interest rates, credit, etc. At the same time, businesses themselves also have response strategies to survive such as digital

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technology applications and business models. However, in the first 4 months of 2021, there were 25,919 micro and small enterprises (with the capital scale from 0 to 10 billion dongs, accounting for more than 90% of the total number of Vietnamese enterprises) that temporarily closed or stopped operating, increasing by 30% over the same period last year (*Report of the General Statistics Office, 2021*). This data shows that the response strategies of enterprises are not really effective.

Therefore, this study was conducted to clarify the factors affecting the choice of Covid-19 pandemic response strategies of micro and small enterprises in Vietnam. Thereby forming a basis for proposing policy recommendations in the next period, helping micro and small enterprises in Vietnam survive, recover and develop.

The study focuses on addressing four main parts. Part 1 presents an overview of the research and related theoretical background; part 2 describes the research methodology; part 3 presents research results and discussions; part 4 provides conclusions and suggests some recommendations for policymakers.

2. LITERATURE REVIEW

2.1. Crisis management theory

Crisis

The crisis is understood as a sudden and unexpected event, which threatens to disrupt the operation of an organization; thereby posing financial and reputational hazards (Coombs, 2007). At the corporate level, the core of crisis management is developing strategies to minimize economic damage and increase resilience to a crisis event. Existing research literature on crisis management is mainly aimed at medium and large enterprises, with little attention being paid to micro and small enterprises (Herbane, 2013). Meanwhile, with limited resources and market positioning ability, etc., micro and small businesses will be more vulnerable to crisis events.

The Covid-19 crisis first appeared in China in December 2019 and became a global pandemic not long after. Compared to previous crises, the Covid-19 crisis is more complex and unique. The Covid-19 pandemic has created enormous social and economic problems at every level, including social anxiety, unemployment, supply chain disruptions, stock market crashes, economic standstill, and de-globalization (Alves, Jose C. et al, 2020).

Impact of the crisis

Crises can do great damage to businesses by eroding trust, destroying company values, threatening business goals, or even driving businesses out of the market (Lerbinger, 2012). Previous studies have also suggested that small businesses are more vulnerable to crisis events due to lower levels of preparedness, resource constraints, relatively weak market positions, and high reliance on government and local agencies (Herbane, 2013).

Small and medium-sized businesses often experience financial losses, falling sales, inability to meet contract terms, cash constraints, staff reductions, and even business closures during or after crisis events. Crisis events can also bring emotional and psychological stress to victims and managers of SMEs (Doern, 2016).

Crisis response strategy

Because they are vulnerable to crises, Munoz et al. (2019) suggest that small and medium-sized enterprises should set up a crisis plan. The author also believes that businesses with reasonable response strategies will recover faster from the crisis than the rest. Especially, with cross-border crises (global pandemics), businesses need to quickly customize business strategies and develop specific action processes (Ansell et al., 2010).

2.2. Micro and small enterprises and Response Strategies to the Covid-19 pandemic

Micro and small enterprises

The concept of micro, small and medium enterprises (SMEs) is not uniform across countries and organizations. The most commonly used way to determine is based on the number of employees, revenue, and capital of the business. Depending on the geographical location and laws of each country, the definition of SMEs is also different (Leopoulos, 2006).

In Vietnam, the criteria for classifying micro and small enterprises according to Decree No. 39/2018/ND-CP in 2018 of the Government, specifically:

No	Sector	Agriculture, forestry and fisheries	Industry and construction	Trade and services
I	Micro enterprise			
1	Number of employees (Person)	≤ 10	≤ 10	≤ 10
2	Revenue (Billion VND)	≤ 3	≤ 3	≤ 10
II	Small enterprise			
1	Number of employees (Person)	≤ 100	≤ 100	≤ 50
2	Revenue (Billion VND)	≤ 50	≤ 50	≤ 100

Source: The White Book on Vietnamese Businesses, 2021

Response Strategies to the Covid-19 pandemic

In the study of Nguyen, Ngo and Tran (2021), response strategies of small and medium enterprises can be divided into two groups. One group of businesses focuses on reducing costs to survive, while the other focuses on growth to keep market share when the recession is over. Do et al (2021) conducted a study on the impact of Covid-19 on Vietnamese tour operators and pandemic response strategies. The results showed that tour operators chose to give up the most (50%), followed by persistence (25%) exit (15.6%), and innovation (9.4%). Based on the facts and results of previous studies, there are many response strategies used by businesses to survive during the Covid-19 period. Among these, the three most commonly used strategies are: E-commerce promotion, Customizing new products, and Diversifying the supplies.

• E-commerce promotion

Referring to the pandemic response strategy, Caballero-Morales (2021) argues that small and medium-sized businesses can best make use of their scarce resources by taking advantage of digital resources and technology communication tools (WhatsApp, ZOOM, Skype, etc.) to gather information about specific strategies. Research by Alves, Jose C. et al (2020) also suggests increasing promotion on social media and diversifying products is two of the efficient strategies to cope with the negative effects of the Covid-19 pandemic.

- **Customizing new products**

Although it has been 40 years, the four general strategies that Hofer (1980) proposed form the basis for any debate about crisis response strategy, including product planning, awareness of new pricing, new approaches to supplier partnerships, and information management. Sharing the same view on product customizing, Eyup Kahveci (2021) affirms that customizing is a very important Covid-19 response strategy that micro and small businesses need to consider. OECD research (2021) also shows that many business owners have had to shift their business focus to reach new customers or meet the new needs of existing customers.

- **Diversify the supplies**

Research by the OECD (2021) shows that, in response to the drop in revenue due to the pandemic, businesses in Indonesia have experimented with a variety of response strategies. Among them, the most common strategy is sourcing cheaper inputs, such as raw materials. Among the studies on strategies to respond to the Covid-19 pandemic, many researchers have shown that the preserving strategy may be more effective than innovating strategy Do et al (2021). Agreeing that the preserving strategy is quite effective, however, Wenzel, Stanske & Lieberman (2021) argue that this effect is only true in the short term. If the pandemic situation lasts longer, it will be difficult, or even impossible, to continue using the preserving strategy. In contrast, the authors argue that in order to survive, companies must innovate; which pays special attention to finding alternative sources.

2.3. Factors affecting the Covid-19 pandemic response strategy

Age of entrepreneurs

The **entrepreneurs'** age is one of the factors that have a great impact on all business decisions, especially micro and small scale businesses. Noor Afza Amra (2011) argues that the age of the owner factor plays an important role in the success of a company, especially when it is a family business. More specifically, Brockmann and Simmonds (1997) ascertain that firm performance is positively correlated with age. Older business owners are more likely to succeed than younger managers. This difference is partly due to the experience of the manager.

However, on the other hand, in terms of the ability to react to the "pressures" of the business environment, young entrepreneurs will more quickly grasp the "opportunities of transformation"; thereby, indirectly improving the performance of the business. Meanwhile, the older the entrepreneurs are, the higher the tendency to be risk-averse and the more difficult it is to adapt to the transition. (Carlsson & Karlsson, 1970)

Owners' gender

The influence of business owners' gender on the selection and implementation of the Covid-19 pandemic response strategy in previous studies has many differences. Research results of Noor Afza Amra (2011) show a difference in the sustainability performance of businesses led by men and women. In contrast, Failier (2020) concludes that there is an asymmetry in decision-making in the context of the pandemic between businesses owned by men and women. Meanwhile, research by Tetsushi Sonobe, Asami Takeda, Susumu Yoshida, and Hoa Thi Truong (2021) did not find any correlation between gender and corporate decisions to use pandemic response strategies.

When assessing the impact of COVID-19 on MSMEs, and especially women-led MSMEs in Vietnam (United Nations, 2020), in general, women-led businesses tend to choose more traditional coping mechanisms, such as reducing or suspending business activities, cutting costs, and renegotiating payment terms. In comparison, male-led businesses tended to choose more labor-focused measures, such as reduced wages and/or working hours.

Effect status by the pandemic (Slight Effect/Severe Effect)

The impact of the **pandemic** in the locality in which businesses operate is also one of the factors affecting the choice of response strategies of enterprises. Research results by Wenzel, Stanske & Lieberman (2020) show that in a slight effect situation, businesses have more options in implementing business recovery strategies. However, if the **pandemic** situation worsens, or even lasts for a long time, it will make strategic choices of enterprises no longer effective. According to the author's explanation, if a business is affected by the Covid-19 **pandemic**, and this effect lasts for a long time, it will exhaust the resources of the business; moreover, affected businesses also don't have the opportunity to look for alternative sources of income.

According to Do et al. (2021), a crisis will inevitably threaten the success of the business; however, on the positive side, it will also offer the opportunity to innovate strategies. On the one hand, innovation strategies will help to respond to the crisis, on the other hand, strategic innovation will help businesses get out of their inherent safety loop. However, when studying the impact of the Covid-19 pandemic on Vietnam's tour operators and response strategies, the authors also found evidence that the long-term effects of the disease have caused more than 50% of businesses to cease operations, and only 5% of them implement innovation strategies.

Based on the results of previous studies, it can be seen that the extent of the **pandemic**'s impact on businesses has a great impact on the plan to implement innovation and response strategies of enterprises. The longer and more intensely impacted businesses are, the less likely they are to use response strategies to survive and recover.

Government Lockdown Measures (Partial Lockdown/Total Lockdown)

Lockdown measures including partial and total lockdown are the strategies chosen by many countries to respond to the Covid-19 pandemic. With the goal of "zero covid", this strategy has brought considerable success to many countries, including Vietnam. However, in subsequent outbreaks of the pandemic, accompanied by the development of many new strains of covid, this strategy gradually ceased to be medically effective. Economically, Wenzel, Stanske & Lieberman (2021) are concerned that the Covid-19 crisis is putting the business sustainability of small and medium enterprises in jeopardy, which could lead to social disasters in society, and the economy. Concerns about the impact of the Government's lockdown measures on the resilience of businesses were also mentioned in the OECD study (2020). Research results show that most occupations are directly affected by the containment measures taken by the Government to combat the coronavirus outbreak (accounting for 40%). The authors are also concerned that the more "extreme" the preventive measures are taken, the greater the risk of bankruptcy of enterprises, especially small and medium-sized enterprises. A follow-up study of the OECD (2021) also made similar observations about the Government's lockdown measures. According to the research report, the rate of small

and medium-sized business closures increased sharply during the first wave of the pandemic - when containment measures were adopted most aggressively by countries.

Government Support

Governments around the world have responded very quickly and strongly to the unprecedented challenges posed by the Covid-19 pandemic. A series of policy measures have been put in place to provide urgent support to businesses, which are mainly small and medium enterprises. Government support policies are diverse such as tax exemption and reduction (corporate income tax, value-added tax); implementing job retention programs; digital assistance;... OECD (2021). When surveying small and medium-sized enterprises in Vietnam, almost all enterprises think that the Government's support measures are useful. In which, businesses appreciate the financial support measures; At the same time, this is the support measure with the best absorption (United Nations, 2020). Thus, accessing government support packages will make it easier for businesses to use or combine crisis response policies. However, the research results of the United Nations (2020) show that only 2% of the 220 businesses surveyed have access to these support packages.

Access to bank credit

The smaller the firms, the thinner financial capacity and cash buffers, which makes them less resilient in crisis response (OECD, 2021). In the United States, for example, half of SMEs operate with less than 27 days of cash reserves (JP Morgan and Chase Co., 2020). In addition, it is more difficult for smaller companies to tap different sources of financing, including from the market. In contrast, smaller companies are often very dependent on retained earnings and traditional bank loans. Research by Alves, Jose C. et al (2020) also confirms that the lack of cash and inability to access loans affects the recovery strategy of small and medium enterprises in Macau. Among the supporting policies, small and medium-sized enterprises highly appreciate credit policies such as debt extension, interest rate reduction, etc. However, access to these policies is very difficult, many businesses do not eligible to apply (United Nations, 2020).

3. METHODOLOGY AND DATA

To measure the impact of various factors on the Covid-19 response strategies of small and micro enterprises in Vietnam, this study employs the Multivariate Probit Model (MPM). The MPM is described in terms of a correlated multivariate normal variable that is linked to the observed multivariate discrete variable through a threshold specification (Huiping Xu and Bruce A. Craig, 2010).

In order to measure the effects of dependent and independent variables, we often use a logic/probit or multinomial model. However, the disadvantage of these types of models is that they only measure the effects of many independent variables on one dependent variable. Meanwhile, the Multivariate Probit Model estimates a system of equations simultaneously between many independent variables and many dependent variables. In this case study, the purpose of the study is to measure the impact of many factors on the response strategies of micro and small enterprises in Vietnam. If applying the logic/probit model requires micro and small businesses to choose only one of the response strategies, and this is unrealistic.

The advantage of the multivariate probit model is that it allows businesses to choose one or more response strategies. However, this model also has the disadvantage that it does not measure the extent to which these strategies are used (for example, which is differences in the extent to different strategies?). MPM is illustrated as follows:

$$Y_{imj}^* = U_b - U_a > 0$$

represents the benefits of adopting response strategies (including switching to E-commerce promotion (ECP), Customizing new products (CNP), and Diversify the Supplies (DS)).

represents benefits derived by an individual entrepreneur from not adopting any method

Of course, a entrepreneur only chooses to adopt response strategies j on enterprise m if the net benefit is greater than zero.

$$Y_{imj}^* = \beta_j X_{im} + \varepsilon_{im}, m = 1, \dots, M$$

$$Y_{imj} = 1 \text{ if } Y_{imj}^* > 0 \text{ and } 0 \text{ otherwise}$$

where j = ECP, CNP, DS

$\varepsilon_{im}, m = 1, \dots, M$ are error terms distributed as multivariate normal.

Y_{im}^* represent outcomes for M different choices at the same point in time

Table 1: Definition of variables

Variable	Definition	Expected Sign
E-commerce promotion	Dummy, Enterprise's response strategies are switching to E-commerce promotion: 1 = yes, 0 = otherwise	
Customizing new products	Dummy, Enterprise's response strategies are customizing new products: 1 = yes, 0 = otherwise	
Diversifying the Supplies	Dummy, Enterprise's response strategies are to diversify the supplies: 1 = yes, 0 = otherwise	
Agriculture, Forestry, and Fisheries	Dummy, Enterprise operates in Agriculture, Forestry, and Fisheries sectors: 1 = yes, 0 = otherwise	
Effect-1	Dummy, Enterprise did not experience negative effect of COVID-19: 1 = yes, 0 = otherwise	+
Effect -2	Dummy, Enterprise did not experience severe effect of COVID-19: 1 = yes, 0 = otherwise	-
Effect -3	Dummy, Enterprise experienced slight effect of COVID-19: 1 = yes, 0 = otherwise	-
Age	Continuous, Age of the entrepreneur (years)	-
Gender	Dummy, Gender of entrepreneur: 1 = man, 0 = woman	+
Partial – Lockdown	Dummy, Enterprise experienced government measure in the context of partial lockdown: 1 = yes, 0 = otherwise	+
Total – Lockdown	Dummy, Enterprise experienced government measure in the context of total lockdown: 1 = yes, 0 = otherwise	+

Government Support	Dummy, Enterprise received government support: 1 = yes, 0 = otherwise	+
Access Credit	Dummy, Enterprise experienced easy access to credit capital: 1 = yes, 0 = otherwise	+

According to Yamane (1967), the minimum sample size in the study should be:

$$n = \frac{Z^2 p(1-p)}{e^2} = \frac{(1,96)^2 0,5(1-0,5)}{0,05^2} = 384,16$$

In which:

Z: the significance of 95%, the value of the distribution table Z=1,96

p: the estimate of correct prediction of n for p=0,5

e: sampling error allowed with ±0,05 (5%)

This survey is conducted from August 10 to August 25, 2021. We used a rapid survey of 820 micro and small enterprises in 28/63 provinces/cities, where have had the highest total number of Covid-19 infections in Vietnam since the first outbreak. These micro and small enterprises were questioned concerning their response strategies and factors that affected them. With this choice, the authors expect to accurately assess the impact of objective and subjective factors on the response strategies of these enterprises.

Before conducting a broad survey, the authors sent preliminary questionnaires to 20 experts, including experts and managers in business, to assess the reliability of the scales. From the list of micro and small enterprises in Vietnam, we verified their phone numbers and email addresses. To improve the response rate, we both sent questionnaires via email and made contact by phone. As a result, out of 1335 questionnaires sent out, the research team received 820 valid responses. By using SPSS 22.0, these questionnaires are processed by filtering, coding the necessary information then analyzed

Table 2: Descriptive statistics

Variable	Mean	Standard Deviation
E-commerce promotion	0.412	0.493
Customizing new products	0.383	0.387
Diversifying the Supplies	0.279	0.449
Agriculture, Forestry, and Fisheries	0.684	0.435
EFFECT-1	0.025	0.188
EFFECT-2	0.653	0.496
EFFECT-3	0.322	0.489
Age	34.109	10.007
Gender	0,820	0,610
Partial – Lock	0.667	0.499
Total – Lock	0.215	0.495
Government Support	0.289	0.454
Access Credit	0.324	0.198

The result of the survey shows that businesses have used response strategies with increasing rates starting from E-commerce promotion (41.2%); Customizing new products (38.3%); Diversifying the Supplies (27.9%). The result also shows that the average age of the entrepreneurs is 34 years old and mostly men. About 2/3 of the respondents are operating in the Agriculture, Forestry, and Fisheries sectors.

4. RESULTS AND DISCUSSIONS

Table 3 shows the effect of the entrepreneurs' age on the choice of response strategies. The results show that the age of the entrepreneurs' influences the e-commerce promotion strategy. Specifically, the older the age of the business owner is, the lower the likelihood of digital transformation in the business is. This result received are identical with some previous studies such as the research of Ogunniyi, A. (2017). In particular, in the agriculture, forestry and fisheries sectors, the negative influence of this factor is stronger.

Table 3: Effect of "Age" factor on the business's Covid-19 response strategies

Age	E-commerce promotion	Customizing new products	Diversify the supplies
	(1)	(2)	(3)
Agriculture, Forestry, and Fisheries Sectors	-0.2112* (0.00599)	-0.00146 (0.00362)	0.000179 (0.00558)
Including industry and construction, and trade and services sectors	-0,00677 * (0.00386)	-0,00658 ** (0.00291)	0,00122 (0.00330)
Pooled Data	-0.00892*** (0.00321)	-0.000386 (0.00228)	0.000394 (0.00271)

Notes: Standard errors in parentheses

* p<0.1, ** p<0.05, *** p<0.01

Table 4 shows the impact of gender factor on the choice of strategies to respond to the Covid-19 pandemic of micro and small businesses in Vietnam. Accordingly, businesses owned by women are less likely to choose innovative and breakthrough response strategies such as e-commerce promotion, customizing new products. In contrast, these enterprises are often inclined towards supply diversification strategies. This result can be explained by gender differences and the traditional division of labor within a family. Specifically, when affected by the Government's lockdown measures, the responsibility for taking care of young children during school closures often falls to women. At the same time, because of this traditional factor, women, regardless of profession, are similarly affected.

This result is similar to the COVID-19 Impact Assessment Report on MSMEs, and in particular, women-led MSMEs in Vietnam (United Nations, 2020). The UN Women's Policy Research Report (UN Women, 2020) also highlights that it is difficult for women-owned SMEs to use digital strategies. The author explains that the Covid-19 pandemic has placed on Philippines women more responsibilities and obligations, including taking care of their families, making it difficult for them to choose sudden innovative strategies.

Table 4: Effect of "Gender" factor on the business's Covid-19 response strategies

Gender	E-commerce promotion	Customizing new products	Diversifying the supplies
	(1)	(2)	(3)
Agriculture, Forestry, and Fisheries Sectors	0.39970*	0.29303**	0.0783*
	(0.00422)	(0.00198)	(0.00482)
Including industry and construction, and Trade and services Sectors	0,20292*	0,10582**	0,00422
	(0.00110)	(0.00392)	(0.00400)
Pooled Data	0.21002**	0.11099*	0.00267**
	(0.00219)	(0.00310)	(0.00266)

Notes: Standard errors in parentheses

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Regarding the various economic sectors, there is no significant difference in the impact of gender on the use of response strategies. This result differs from the research report of the United Nations (2020). According to this report, the impact of gender on the ability to choose a Covid-19 response strategy is different for different occupations. The difference in research results may come from the study's sampling, the limit of micro and small enterprises instead of small and medium enterprises as reported by the United Nations (2020).

Table 5 shows the effect of effect status factors on the choice of strategies to respond to the Covid-19 pandemic of micro and small businesses in Vietnam. According to statistical results, both micro and small businesses that are slightly or severely affected by the Covid-19 pandemic have had difficulty implementing online business strategies. The rate of refusal to implement the response strategy was 82% for severely affected businesses and 68.2% for slightly affected businesses. On the other hand, being heavily affected by the pandemic also reduces the ability of enterprises to deploy new product lines, especially those in the fields of agriculture, forestry, and fishery. Survey results in the non-agricultural sector show that the probability of switching to a new product line decreases by 55.3% if businesses are severely affected by Covid-19. In the non-agricultural sector, if a business is severely affected by the pandemic, the probability of launching new product lines will decrease by 76.1%.

This result is similar to the study of Alves, Jose C. et al (2020), the authors assert that the duration and extent of the spread of the Covid-19 outbreak will affect the response strategies of small businesses. The authors also emphasize that: the Covid-19 pandemic is different from all previous crises; it is time for businesses to consider classifying response strategies according to the time, spread, and coverage of the pandemic.

Table 5: Effect of "Effect Status" factor on the business's Covid-19 response strategies

Severe Effect (Effect-2)/ Slight Effect (Effect-3)		E-commerce promotion	Customizing new products	Diversifying the supplies
		(1)	(2)	(3)

Agriculture, Forestry, and Fisheries Sectors	Effect-2	-0.507**	-0.761	0.0467
		(0.247)	(0.327)	(0.321)
	Effect-3	-0.432***	-0.106	-0.0282
		(0.0242)	(0.168)	(0.315)
Including industry and construction, and trade and services sectors	Effect-2	0.191***	-0.553***	0.0167
		(0.012)	(0.062)	(0.300)
	Effect-3	0.251	-0.00651	0.159
		(0.213)	(0.188)	(0.263)
Pooled Data	Effect-2	-0.820***	-0.0581	0.00681
		(0.078)	(0.119)	(0.173)
	Effect-3	-0.682***	-0.0183	0.167
		(0.233)	(0.176)	(0.160)

Notes: Standard errors in parentheses

* p<0.1, ** p<0.05, *** p<0.01

According to the results from the model, the response strategies of enterprises are influenced by the Government's lockdown measures, especially the customizing new products strategy. However, partial lockdowns do not completely negatively affect all sectors. Specifically, the survey results show that partial lockdown has a positive impact on businesses in the service and trade sectors. Partial lockdown also increased the rate of choosing an e-commerce promotion strategy to 17%. Meanwhile, a total lockdown reduces the proportion of businesses choosing this solution by 53%.

Not only for e-commerce promotion strategy, but total lockdown also reduces the effectiveness of all business response strategies and of every industry. However, the impact of the government's lockdown measures on the agricultural sector is lower than in other sectors such as hotels, tourism, manufacturing, garment, construction,... This result is consistent with the study of the United Nations (2020).

Table 6: Effect of "Lockdown Measures" factor on the business's Covid-19 response strategies

Partial Lockdown/Total Lockdown		E-commerce promotion	Customizing new products	Diversifying the supplies
		(1)	(2)	(3)
Agriculture, Forestry, and Fisheries Sectors	Partial Lockdown	0.174***	0.600***	0.302***
		(0.015)	(0.0837)	(0.115)
	Total Lockdown	-0.530***	-0.320***	-0.270*
		(0.037)	(0.0812)	(0.141)
Including industry and construction, and trade and services sectors	Partial Lockdown	0.173**	0.680***	0.136**
		(0.0372)	(0.0596)	(0.0675)
	Total Lockdown	-0.533***	-0.733***	-0.154**
		(0.0683)	(0.0611)	(0.0690)
Pooled Data	Partial Lockdown	0.127**	0.0220	0.184***
		(0.0632)	(0.0497)	(0.0568)
	Total Lockdown	0.047***	0.426***	0.185***
		(0.0653)	(0.0509)	(0.0607)

Notes: Standard errors in parentheses

* p<0.1, ** p<0.05, *** p<0.01

The research result clearly shows the characteristics of Vietnam's micro and small enterprises as a link in the global supply chain. Accordingly, although not directly participating in the international supply chain, Vietnam's small and micro enterprises are still indirectly affected by these lockdown measures. If the lockdown continues for a long time, no response strategy will be enough for businesses to combat the ravages of the pandemic.

Table 7: Effect of "Government Support" factor on the business's Covid-19 response strategies

Government Support	E-commerce promotion	Customizing new products	Diversifying the supplies
	(1)	(2)	(3)
Agriculture, Forestry, and Fisheries Sectors	0.672*** (0.109)	0.112*** (0.0083)	0.0752 (0.123)
Including industry and construction, and trade and services sectors	0.177*** (0.008)	0.0577 (0.0650)	0.151** (0.0758)
Pooled Data	0.448*** (0.0654)	0.880*** (0.0542)	0.132** (0.0626)

Notes: Standard errors in parentheses

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Micro, small and medium-sized enterprises tend to prefer to postpone tax payments and reduce tax rates and it is thought that tax deferral and the reduction will help businesses easily develop more recovery strategies (ADB Working Paper Series, 2021). The results of a survey of businesses on government support measures show a positive impact of this factor on the choice of strategies to deal with Covid-19. We've found that businesses with timely access to support increase their access to e-commerce, switch to new products, and diversify their supply. However, when conducting phone interviews, surveyed businesses expressed concerns about the accessibility to support from these policies. 77% of micro and small businesses said that they know about the Government's support packages through the mass media but do not know who to turn to for support. This result is similar to the study of the United Nations, 2020.

Table 8: Effect of "Access Credit" factor on the business's Covid-19 response strategies

Access Credit	E-commerce promotion	Customizing new products	Diversifying the supplies
	(1)	(2)	(3)
Agriculture, Forestry, and Fisheries Sectors	0.732*** (0.115)	0.389*** (0.00723)	0.0382 (0.101)
Including industry and construction, and trade and services sectors	0.662*** (0.009)	0.0562 (0.058)	0.3291** (0.0758)
Pooled Data	0.797*** (0.0601)	0.8892*** (0.0592)	0.1392** (0.062)

Notes: Standard errors in parentheses

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Similar to the Government support variable, access to credit shows a positive impact on the response of micro and small businesses. However, when surveyed by phone, the author also received feedback from businesses about the difficulty in accessing credit at banks today.

5. CONCLUSION AND RECOMMENDATION

The purpose of this study is to identify and measure the impact of the entrepreneurs' age, gender, effect status, government lockdown measures, government support, access to bank credit on the choice of strategy response to the Covid-19 pandemic of micro and small enterprises in Vietnam. A survey was conducted with 820 valid questionnaires collected from 28/63 provinces/cities most affected by the pandemic. The results show that the age and gender of the entrepreneurs have a significant impact on the choice of the response strategy. In addition, factors "effect status" by the pandemic and the "government lockdown measures" have the opposite direction on the ability of enterprises to implement response strategies. On the other hand, the ability to access supportive policies from the government and banks will make it easier for businesses to choose and implement their response strategies.

Based on the research results, the authors make some recommendations to help micro and small businesses effectively implement response strategies; exist and develop in the "new normal".

5.1. Taking measures to remove gender barriers

Gender differences and division of responsibilities outside the office have become a feature of Vietnam in particular and Southeast Asian countries in general. Therefore, there is a need for more practical measures and support from business associations dedicated to women. In particular, attention should be paid to areas such as the application of technological advances to production, business, and sales; increasing access to and use of technology for female entrepreneurs. In addition, the Government should have preferential stimulus packages especially for businesses with female owners.

5.2. Preparing for the "new normal" or "post-Covid-19" period

The Covid-19 pandemic is considered an unprecedented crisis. Therefore, the "extreme" response of the Governments of countries, including Vietnam, with lockdown measures has significantly affected the ability of businesses to respond. However, with the current rate and speed of vaccine coverage, we need to prepare for the "new normal" as well as for similar crises in the future. Then, measures such as total lockdown will no longer be the only option for countries.

5.3. Supporting businesses to promote digital e-commerce and digital economy activities

Micro and small enterprises are characterized by low capital, so it is difficult to adapt to changes in technology. Therefore, it is necessary to have support in business development, employee training, management, aid programs, etc. to help businesses upgrade technology, find new methods and business models.

5.4. Regularly evaluating the effectiveness of support policies

Research results show that business response strategies are strongly influenced by government policies. Therefore, it is necessary to independently review and re-evaluate the implementation effectiveness of support policies, as well as consult directly with enterprises to ensure the feasibility of the policy being issued.

5.5. Reducing lending interest rate, improving administrative procedures in lending to increase access to credit capital

Currently, the lending interest rates of banks are still very high. Moreover, difficult procedures to access capital make micro and small enterprises insolvent. In this survey, responders reflected that they encountered complicated administrative procedures from banks. Therefore, although there is an interest rate support policy, very few businesses have access to these support packages. At this time, a deep reduction in lending rates is extremely necessary. Besides, it is necessary to relax some conditions in order to expand the beneficiaries and reduce the procedures and processes for accessing support packages, especially the financial proofing procedure.

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FACTORS AFFECTING THE SURVIVAL AND DEVELOPMENT OF SMEs IN THE CONTEXT OF COVID 19 PANDEMIC: EVIDENCE FROM HO CHI MINH CITY

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Abstract: *This study aims to analyze factors affecting the survival and development of SMEs in Ho Chi Minh city. A sample of 305 respondents is taken by managers relevant to SMEs categories in Ho Chi Minh City related to this study's analysis point of view. Questionnaires collect data through online and in-person forms. The results of data analysis through the regression analysis method show that five factors affect the survival and development of SMEs: government policies, banks and financial instruction policies, support of the professional association, human capital, and innovation capability. As a result, the innovation capability factor positively impacts SMEs' survival and development. The results convey helpful information for businesses who need to prepare solutions for surviving and restoring business operations themselves and the whole Viet Nam economy after the Covid19 pandemic.*

Keywords: *survival and development of SMEs; government policies; policies of banks and financial instruction; support of professional association; human capital; innovation capability.*

1. INTRODUCTION

The Covid-19 pandemic has caused a sharp decline of global economic growth unprecedented in decades. In 2020 the world economic growth rate approximately decreased by 5-7% compared to the average growth rate of the world economy in previous years and the world economy needs at least 2-3 years to restore the growth rate as the period before the epidemic broke out and spread (Long, 2021). At the beginning of 2020, the pandemic has affected all regions in Viet Nam, and the devastation of the epidemic effect avoiding caused even no business or commercial fields. As a result, the number of newly registered enterprises decreased by 2.3%; the number of enterprises suspended for a limited time, stopped operations waiting for dissolution procedures and is completed dissolution procedures increased by 13.9% compared to 2019 (GSO, 2021).

Ho Chi Minh City (HCMC), the most significant economic zone and population (accounting for 9.35%) in Viet Nam and the number of SMEs categories account for 98% of the total of business types in HCMC (Total local statistics, 2020). In 2019, the city's economic growth estimated at 8.32%; the city's economic development rate is 23.97% compared to the whole country and continuing to increase; budget revenue is also estimated at 412,000 billion VND, exceeding 3.3% of the plan in 2019 (GSO, 2020). However, the city's economy will only grow at 1.39% in 2020 compared to 2019, and this is a great effort and cooperation of businesses, the

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government, and other related organizations in the context of a severe epidemic. Significantly, the fourth wave Covid19 epidemic has seriously affected all socio-economic aspects of the city with a record number of more than 23,000 firms that were suspended in the period 2016-2020. Also, more than 625,000 unemployees among all HCMC districts, especially sections that include export processing zones and industrial parks like Thu Duc city (Total local statistics, 2021).

However, with the government's efforts, localities and people, the effect of the COVID-19 testing services is now showing excellent signals in the fourth quarter of 2021. Along with that, the enterprises themselves are very eager to enter the process of restoring business operation production since city lockdown ended to take market advantages compensating for the damage in the past. Therefore, the government and all related authorities including agencies, sectors, localities, business associations, and the banking system have fully and promptly implemented policies to support businesses to overcome difficulties to recover their productions soon. All the above studies are consistent with the study of Le et al. (2020), which mentions the role of government policies, banks and financial instruction policies, and professional association support positively influence business recovery and development in the post-pandemic situation.

In addition, assisting businesses to recover and develop not only in terms of the support of all elements above but also depends on factors derived from the company itself, such as human capital, innovation capability (Ndungu, 2017; Ortiz-Villajos & Sotoca, 2018). Based on such observation, authors start analyzing the impact of those factors on the survival and development of SMEs in Ho Chi Minh City in the context of the Covid19 pandemic and give some recommendations for businesses to recover after the pandemic.

The remainder of this paper is organized as follows. Section 2 presents the theoretical overview and discusses research hypotheses. Section 3 mentions the research methodological approach. While, empirical results and discussion relevant to this study are expressed in section 4. The final section concludes the overall content of this paper and conveys some recommendations based on the theoretical review.

2. THEORETICAL OVERVIEW AND HYPOTHESES

2.1. Survival and development of SMEs

Page & Soderbom (2012) argue that the organization size governs the sustainability of SMEs. Also, Filatotchev & Toms (2003) and Yousaf & Majid (2018) figure out that sustainability depends upon organizational flexibility and specialization. Similarly, such factors like age of the corporation, financial position, sales, profitability, working capital, retained earnings, market structure, and government policies are pointed out by Pakes & Ericson (1998), Clementi & Hopenhayn (2006), Altman (1968), Sapienza et al. (2006), and Schwartz (2013), respectively.

Josefy et al. (2017) have defined the concept of survival and development of SMEs as the ability to operate the business normally, retaining its original ownership, and continuing financial solvency.

Dramatically changing the business environment during the Covid-19 pandemic has drained the company's resources quickly, threatened the company's sustainability, even caused bankruptcy.

Eventually, company survival through the change means the level of resilience of firm opposition the business changing environment. Barney (1991) declares that the survival and development of firms are based on internal resources and capabilities and external factors of the firm. Consequently, this research accounts for how the company operated during the Covid19 pandemic, such as stopping the business, usually working, or declining operational.

2.2. Influenced factors to the survival and development of SMEs

Le et al. (2020) have proposed the research model of SMEs' survival and development in the context of the Covid 19 pandemic. Factors related to government perspective and other associated departments including government policies, banks and financial instructions, and professional association support. Meanwhile, Tagha et al. (2019) have pointed out that SMEs' sustainability is affected by internal factors such as knowledge, skill, attitudes, and experience concerning research and development activities. Similarly, Utomo (2020) has proved that innovation capability significantly affects the survival and development of small companies.

Consequently, this study analyzes the impact of policies from government policies, banks and financial instruction, support of the professional association, human capital, and innovation capability on SMEs' survival and growth.

- Government policies:

These play an essential role in the sustainability and development of SMEs. Those policies include regulations that enable them to operate efficiently and regulations that reduce their administrative costs (Harvie & Lee, 2005). According to World Bank research, complex tax systems, low trust in the judicial system, and the need to pay bribes to access public services, represent significant barriers, especially in southeast Europe (WB, 2000). In the context of the 19th pandemic, small and medium enterprises have been facing a marked decline in demand for goods and services and production disruptions. Thus, preferential policies and programs of the government should be conducted promptly. A study conducted by the International Financial Corporation (IFC, 2003) based on the feedback of 45,000 enterprises in developing countries found that leading factors hinder the development of enterprises, including high tax, complicated law system, and complex administrative procedures... All of the adverse effects mentioned above are related to policies from the government. Masurel (2007) argues that legislation and the desire to provide safe working conditions of government as the primary motivating factors for SMEs to invest in improved sustainability performance. Therefore, the government's policies on taxes, interest rates, and social security may play an essential role in the survival and development of enterprises, small and medium enterprises in the context of the Covid 19 pandemic. Based on this description, the specific hypothesis formulates as follows.

Hypothesis H₁. Government policies have a significant positive effect on the survival and development of SMEs.

- Policies of banks and financial instruction:

SMEs in developing countries have difficulties accessing bank loans due to the high risk for failing loans, low profitability, and lack of collateral required by banks (Harvie & Lee, 2005).

Especially in the Covid 19 pandemic, SMEs have faced difficulties in accessing finance to restore production. Circulars of 01/2020/TT-NHNN and 03/2021/TT-NHNN have figured out credit supporting issues such as restructuring repayment term; new project of low interest rate, directly decreasing interest rate in current loan account to contribute to the sustainability and resume production and business activities as soon as possible. Based on this description, the specific hypothesis is formulated as follows.

Hypothesis H₂. Policies of banks and financial instruction have a significant effect on the survival and development of SMEs.

- Support of professional association:

These are non-profit organizations that specialize in developing a particular profession, the interests of individuals involved in that profession and the public interest. In addition to the support policies by local authorities, the professional association also plays a vital role in the development of SMEs in the market economy. Programs implemented by the professional association such as organizing trade promotion activities, providing a link among enterprises, between businesses and state management agencies. Thus, along with the local authority's support, the professional association policy has shown a critical role in supporting SMEs (Le et al., 2020). Based on this description, the specific hypothesis formulates as follows.

Hypothesis H₃: Support of professional association has a significant effect on the survival and development of SMEs.

- Human Capital:

According to Goldin (2014), human capital is "the stock of knowledge, habits, social and personality attributes, including creativity, embodied in the ability to perform labor to produce economic value." Human capital refers to the internal resource, a set of knowledge, skills, and abilities (Nieves & Quintana, 2018; Onkelinx, Manolova & Edelman, 2016; Bhartesh & Bandyopadhyay, 2005). The internal resource is also defined as a group of employees' attitudes, values, and aptitude that create a competitive advantage and organizational value (F-Jardon & Martos, 2009). An important role of transforming inputs (i.e., innovation) into outputs (i.e., performance) also expressed in human capital (Teixeira & Fortuna, 2004; De Winne & Sels, 2010). Therefore, the set of those above factors need to be concerned altogether; one of those factors alone cannot result in a good effect on survival, development and even competitive advantage (Guan & Ma, 2003). Ndungu (2017) in factors affecting the successful growth and Survival of Small and Micro Enterprises (SMEs) in Zimmerman Ward, Nairobi County also found that an individual's capability, skills, knowledge and experience in the organization's human resources have a big role in the survival and developing of the business. Based on this description, the specific hypothesis confirms as follows.

Hypothesis H₄: Human capital has a significant effect on the survival and development of SMEs.

- Innovation Capability:

Dealtry and Rademakers (2005) have defined the concept of innovation in business as product innovation, process innovation, organizational innovation, and business innovation. Meanwhile,

the concept of innovation is not only related to the process of creating new ideas. However, it is also referred to as applying those new ideas or thought into an application (Giantari et al., 2020).

There is no standard way to access the criteria of innovation capability since the variety of perspectives of innovation management (Perdomo-Ortiz et al., 2006). Neely et al. (2001) define an organization's innovation capability as its potential to produce innovative outputs. Meanwhile, innovation capability is conceptualized by following new activities, habits and processes in service to improve and transform significant benefits to customers (Anning-Dorson, 2017).

Innovation capability is one of the company's resources created through creative human resources. Simultaneously, Battor & Battor (2010) express a strong relationship between innovation ability and performance. As a result, Sulisty & Siyamtinah (2016) conclude that SMEs' performance significantly affects SMEs' innovation. Related to this study, Ortiz-Villajos & Sotoca (2018) have proved that firm Survival and performance opportunities are improved and maximized (Bamfo & Kraa, 2019) since business is innovated.

An earlier study by Soininen et al. (2012) showed that innovation is needed during an economic crisis to reduce the situation's impact on performance so that SMEs have high survival. Likewise, in the context of the Covid19 pandemic, the study of Utomo (2020) points out that innovation capability results from a higher chance of enhancing survival during uncertain circumstances. Therefore, the ability to innovate in the context of this study is the ability of SMEs in innovating products, processes, organizations or business activities to adapt to the context of the covid pandemic. Based on this description, the specific hypothesis is formulated as follows.

Hypothesis H₃. Innovation capability has a significant effect on the survival and development of SMEs.

2.3 Proposed research model

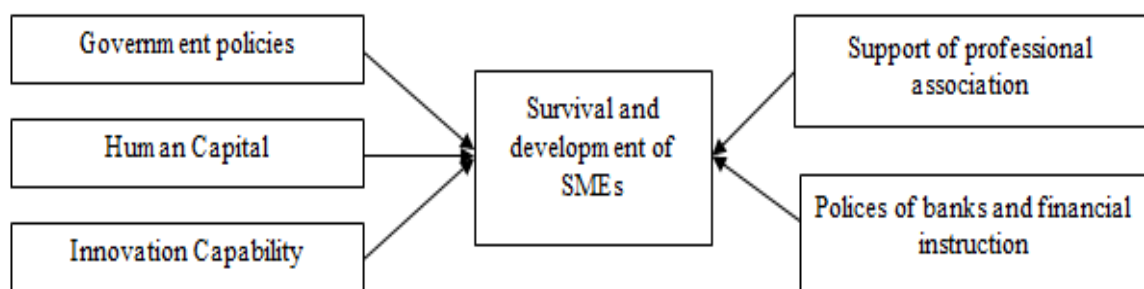


Figure 1: Proposed research model

3. RESEARCH METHODOLOGY

This study used the quantitative method. According to Hair et al. (1998), if using the estimation method, the minimum sample size must be from 100 to 150. Besides, according to Bollen (1989), the minimum sample size is at least five observations for one parameter to be estimated. The questionnaire

used in this study is 24 items, so the minimum sample size needed is $n = 120$. Therefore, this survey was conducted by interviewing managers related to SMEs categories in Ho Chi Minh City via interviews with a total of 320 respondents distributed; however, only 305 of them are suitable and being collected, accounting for 95.31% as satisfactory. Research data was collected through a questionnaire using a 5-point scale (from completely disagree to completely agree).

Data is winsorized, analyzed and carried out through descriptive statistics, then the reliability of the scale was assessed by Cronbach's Alpha coefficient, scale value by Exploratory Factor Analysis (EFA). In Cronbach's Alpha analysis, the Alpha coefficient and total variable correlation coefficient are greater and equal to 0.6 (≥ 0.6) and 0.3 (≥ 0.3), respectively, ensuring high reliability of the scale (Tabachnick & Fidell, 2013). According to Hair et al. (1998), EFA value analysis consists of Total Variance Explained $\geq 50\%$, KMO ≥ 0.5 , Factor Loading ≥ 0.5 , Eigenvalue > 1 and Bartlett's test ≤ 0.5 , all together express high scale reliability and suitability in practice.

Multiple linear regression model of this study is defined as follow:

$$SD = + *GP + *PF + *SA + *HC + *IC + \varepsilon$$

Where SD is Survival and development of SMEs, B_0 is the intercept, are the slope of those independent variables as GP, PF, SA, HC and IC, respectively, and ε is the error term (or stochastic error term). (Abbreviated independent variables are expressed in Encode column of Table 1)

4. RESEARCH RESULT

4.1. Description of the study sample

305 people are surveyed, including 230 males (74.41%) and 75 females (21.59%) belonging to business operation fields such as service fields (40.95%), production (23.61%), commerce fields (19.67%) and then other fields (15.74%).

4.2. Factors analysis and Reliability assessment

The Cronbach's Alpha reliability coefficient evaluates the scale of the factors in the study, and the test results are presented in Table 1. Through Cronbach's Alpha analysis, the scales of Cronbach's Alpha coefficients are more prominent than 0.6 (from 0.782 to 0.907). Corrected item-total correlation of the scale variables is more than 0.3 (the minimum value is 0.545). As a result, these scales are reliable and analyzed by EFA analysis (Nunnally & Burnstein, 1994). The result of EFA analysis, which relates to Factors affecting the existence and development of SMEs in the context of the Covid pandemic in Ho Chi Minh City, has shown that from 24 measurement variables belonging to the above 5 factors, 5 factors have been extracted to keep the original of these 5 factors in the proposed research framework with Eigenvalues equal to 1,313 (>1) and Total Variance Explained equal to 69.696% (greater than 50%), showing that the observed variables all have the factor loading coefficient and the difference are satisfied. Besides, the Keiser - Meyer - Olkin coefficient (KMO) value which equals to 0.889 with the Sig. value is very small, indicating that the results of factor analysis are reliable.

Table 1. Analysis results of Cronbach's Alpha and EFA on the scale of factors in the research model

Factors	Encode	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted	Cronbach's Alpha	Factor Loading
Government policies	GP			0.833	
Tax supporting policies	GP1	0.689	0.777		0.771
Capital supporting packages for SMEs	GP2	0.724	0.761		0.816
Insurance supporting policies for SMEs	GP3	0.576	0.827		0.731
Changing flexible government policies adapting the pandemic situation	GP4	0.665	0.789		0.753
Polices of banks and financial instruction	PF			0.907	
Shorten processing time for loan applications	PF1	0.806	0.878		0.804
Reduce interest rates on new loans	PF2	0.774	0.885		0.798
Exemption and reduction of loan interests	PF3	0.659	0.909		0.676
Debt rescheduling	PF4	0.831	0.873		0.837
Exemption and reduction of fees	PF5	0.766	0.887		0.839
Support of professional association	SA			0.820	
The association brings together recommendations and proposals from businesses to the Government and local authorities	SA1	0.631	0.778		0.760
The association promotes trade promotion	SA2	0.656	0.767		0.756
The association acts as a bridge to connect business cooperation	SA3	0.594	0.796		0.737
The association supports businesses production recovery	SA4	0.689	0.752		0.775
Human Capital	HC			0.901	
Internal human resource equipped with stable knowledge-based	HC1	0.819	0.859		0.840
Internal human resource with good career skill	HC2	0.848	0.847		0.841
Internal human resources have a wealth of working experience	HC3	0.674	0.910		0.773
Employees cooperated in working and dedicating to the existence and development of the enterprise.	HC4	0.782	0.872		0.790
Innovation Capability	IC			0.782	
Ability in product innovation	IC1	0.594	0.725		0.695
Ability in process innovation	IC2	0.554	0.745		0.752
Ability in organizational innovation	IC3	0.659	0.690		0.770
Ability in business innovation	IC4	0.545	0.752		0.636
Survival and development of SMEs	SD			0.788	
Enterprises are recovering production	SD1	0.672	0.665		0.865
Enterprises are maintaining production	SD2	0.611	0.732		0.827
Enterprises are gradually developing	SD3	0.606	0.737		0.822

Source: Results of the author's data analysis in 2021

The EFA analysis relating to the dependent variable as SD in the research model has resulted in 3 observed variables grouped into one factor. The variables with the minor loading factor equal 0.822 (greater than 0.5), so the observed variables are critical to the dependent variable. Meanwhile, the KMO value equals 0.698 and satisfied since greater than 0.5. Also, Bartlett's Test has a significance level of $0.000 < 0.05$, so the observed variables are correlated with each other on the overall scale. As well as, Eigenvalue equals 2.108, being satisfied since its value is greater than 1. Likewise, the Total Variance Explained of 3 observed variables, grouped into one factor, has satisfied since its value is equal to 70.277% (greater than 50%).

4.3. Multiple linear regression analysis

After factors analysis, the authors have conducted Pearson correlation coefficient analysis to test the close correlation between the dependent and independent variables. The results show that all independent variables have Sig. values greater than 0.05, so there is a linear correlation between the independent variables and the dependent variable. As a result, this is a fundamental step for conducting regression to test all of these above hypotheses.

Table 2. Regression analysis results

Variable name	Unstandardized Coefficients	Standardized Coefficients	Sig. coefficient	VIF
Intercept	-.704		0.000	
GP	0.263	0.237	0.000	1.410
PF	0.146	0.167	0.000	1.592
SA	0.198	0.187	0.000	1.430
HC	0.255	0.266	0.000	1.537
IC	0.339	0.298	0.000	1.540
R ² = 0.731; Adjusted R Square = 0.727; Durbin – Watson's coefficient = 2.007				

Source: Results of the author's data analysis in 2021

The authors use regression analysis method to test the influence of 5 factors, including government policies; policies of banks and financial instruction; support of professional associations; human capital; innovation capability. The regression analysis results show that Adjusted R Square = 72.7% and the significance level in the F test is $0.000 < 0.05$. The Durbin - Watson coefficient of the model has a value of 2.007, which proves that the model does not have autocorrelation. Besides, the Variance inflation factor (VIF) of the variables in the model is much smaller than 2, so we conclude that there is no multicollinearity between examined variables.

Consequently, Standardized regression using Beta coefficient at 1% significance level is expressed as follow:

$$SD = -0.704 + 0.237*GP + 0.167*PF + 0.187*SA + 0.266*HC + 0.298*IC$$

Based on the analysis results, the variables namely government policies, banks' policies and financial instruction; support of professional associations; human capital; innovation capability are statistically significant, and all of these variables are positively correlated with the survival and development of SMEs. Meanwhile, Standardized coefficients indicate the degree of impact

of each dependent variable on the independent variable. In the model, the Beta coefficients of innovation capability factor and Policies of banks and financial instruction factor equal to 0.298 and 0.167, resulting in the highest impact and the lowest impact on survival and development of SMEs respectively.

Eventually, all examined independent variables, which positively affect the dependent variable, satisfy all the above proposed hypotheses.

5. CONCLUSION AND RECOMMENDATION

By exploring different factors from previous researches, this study has combined them all together with a series of factors including government policies, policies of banks and financial instruction; support of professional associations; human capital; innovation capability impacting the survival and development of SMEs. This finding is consistent with the study of Le et al. (2020). Additionally, the innovation capability factor, which is the most crucial effect to the organization's sustainability issue, is consistent with the study of Ndungu (2017); Ortiz-Villajos & Sotoca (2018). On the other hand, the financial construction factor has a significant effect but has the most minor significance among those examined variables. As a result, this study has extracted examined variables from all different studies, and those are not reviewed all together. That is to draw a whole picture related to the survival and development of SMEs in the context of pandemic.

From these findings, the recommendations for the survival and development of SMEs to be highly effective, businesses themselves need to focus on the following issues:

- Enhancing the ability to innovate while learning how to use different online platforms will likely be a more obvious requirement for many companies in the future, adapting to technology revolution 4.0. Firstly, due to the popularity and acceptance of smartphone technology in the consumer community. Secondly, a current or future health crisis could occur due to the difference of the government laws and other restrictions.

Given the complicated circumstance of businesses, they should take advantage of the current crisis to continue gathering information and improving their knowledge and business acumen to survive and develop. Besides, they should enthusiastically participate in skills improvement workshops such as improving English skills or using spreadsheet software.

- In general, when there is a lack of financial resources and other vital resources, SMEs will have to adopt a "build-up new methodologies" approach to solve the problem. Some businesses start saving internal resources like financial budget and innovating new management approaches, even cutting down and maintaining human resources and capital. Meanwhile, others pay attention to implementing content training using the primary human resources available in the organization - tools that trained people can use to become instructors or trainers. On the whole, each of them has its own strategies, but they all finally try to survive and develop, adapting to the changing business environment.

- During the pandemic, all Viet Nam commercial banks are flexible in managing credit loans, even restructuring the maturity date of those loans to help the business. Nevertheless, nothing exists forever. From a corporation perspective, they need to propose new strategies such as reduction of loan costs, exemption or reduction of payment service fees to survive and develop SMEs.

The research results recommend that leaders and managers pay more attention to taking full advantage of innovation capability and elements of government policies, policies of banks and financial instruction, support of professional associations, human capital aims to maximize the survival and development of SMEs. However, other above examined factors need to be considered since the model's explanation level is only 72.7%. Therefore, it is also the next generation of this study.

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FACTORS AFFECTING CUSTOMER SATISFACTION TOWARDS E-BANKING SERVICES QUALITY: A RESEARCH AT VIETINBANK – QUANG NGAI BRANCH

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Abstract: *The paper focused on identifying factors affecting e-banking service satisfaction at Vietinbank - Quang Ngai branch. Research results based on survey data with 325 customers who regularly use e-banking services at Vietinbank of Quang Ngai branch which shows only 6 factors affecting customer satisfaction with the use of e-banking services quality, sort by descending including: Service capacity, Empathy, Tangibility, Reliability, Price and Responsiveness. The study provides necessary input for bank management to increase customers satisfaction through improving e-banking service quality. Policy implications were highlighted.*

Key words: *Service quality, e-banking service, customer satisfaction, e-servqual, Vietinbank*

1. INTRODUCTION

E-banking is the most typical product in many bank modern technology applications, it allows providing banking services directly to all customers and bringing many conveniences to users as well as help them save time and transaction costs.

Ebanking service has been formed and developed in a lot of countries around the world, while in Vietnam, this service has only appeared in recent years. Currently, most Vietnamese banks are in the early stages of providing E-banking services. In fact, many banking users have not yet fully exploited the utility of each of these online banking tools and services.

In the banking industry, service quality plays a vital role in improving customer satisfaction. Berry and Thompson (1982) findings suggest that strong relationships between banks and customers build customer loyalty, which gives competitive advantage to the banks. Similarly, Teas (1993) investigation explained the long-term relationship between bank and customer satisfaction. Many of the studies have provided a basis for financial institutions to improve customer satisfaction (Howcroft, 1993; Boaden & Dale, 1994).

According to Nguyen Thi Kieu Hoa (2021), online service users accounts for 50% of customers, of which 54% use ATMs, 36% customers use mobile banking, 22% customers use direct services at bank transaction places. This shows the trend of using E-banking services, especially through Internet banking and mobile banking channels. This is also understandable since mobile devices are personal property, and technology and mobile devices are constantly being updated and used.

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Vietinbank has been implementing E-banking services since 2010 and including Vietinbank Ipay, however, this service promotion has only been focused in recent years so the market share in this activity is still much lower than similar banks such as VCB, BIDV. Therefore, it is necessary to study customer satisfaction for E-banking services at Vietinbank, laying the basis for planning product development strategies and customer attraction policies, helping the bank affirm its position and brand.

Although there are many studies on the e-banking service quality which show different research results among banks in Vietnam. However, the customer satisfaction study towards the e-banking service quality at Vietinbank has not done yet. Therefore, this article studies on customer satisfaction with e-banking services at Vietinbank, Quang Ngai Branch. From the research results, we hope to give factors affecting customer satisfaction in e-banking service order to enhance the customer satisfaction, increase the bank's competitiveness and develop this service in a sustainable way in the future.

2. THEORETICAL FOUNDATIONS AND ANALYTICAL FRAMEWORK

2.1. Theoretical foundations and research hypotheses

2.1.1. E-Banking and E-Banking Services

Daniel (1999) argues that E-banking is described as an electronic link between the Bank and its customers in order to prepare, manage and control financial transactions that occur in daily business activities and E-banking is mainly based on 3 types of transaction channels: telephone, computer and Internet. And he also introduced 4 different channels for e-banking services including: PC Banking, Internet Banking, Managed Network, TV based Banking. In addition, PC-home banking allows customers to perform banking services on personal computers that are installed with a package design software. However, in reality, Telephone Banking, TV-based Banking and Managed Network do not play a big role in the banking industry today.

Besides, Thulani & Chitura (2009) defined that e-banking is a service that allows bank customers to access their accounts to receive the latest information about the bank, products and services, perform all financial transactions anytime, anywhere through the use of the bank's website. Thanks to this service, customers can access their accounts every day from anywhere, transfer money, receive bill payments online and directly download statements and transaction reports.

E-banking services are provided by Vietnamese commercial banks through channels such as: internet banking, SMS banking, tele-banking services, Phone Banking, banking services via mobile Banking.

2.1.2. E-banking service quality

According to Gronroos (1984) viewed that service quality is assessed on two aspects: technical quality and functional quality. Technical quality concerns what is served, while functional quality refers to how they are served. Good service or not depends on the service provider through attitude, company internal relations, behavior, service situation, external appearance, approach and contact

with customers. Therefore, there must be an intersection between technical quality and functional quality to create good services.

Thus, the E-banking service quality is the ability to meet the customer expected service or all the activities and additional benefits that the bank brings to the customer. This is what creates customer satisfaction.

2.1.3. The dimensions of e-banking service quality

Ghobadian et al. (1994) supposed service quality is a measure of how well the service provided meets customer expectations. Parasuraman et al., 1988 proposed the Servqual model which including five components of service quality: reliability, responsiveness, tangibility, assurance, empathy.

Besides, BSQ model of Bahia and Nantel (2000) combined with SERVQUAL model provides 6 service quality components: effectiveness and assurance, access, price, inTangibilitys, service portfolio, reliability.

Accordingly, Zeithaml et al. (2002) introduced the e-service quality concept and called the model via the internet e-SERVQUAL. This issue has also been studied extensively by other scientists (Jun & Cai, 2001; Yang & Yun, 2002; Trocchia & Janda, 2003) with approach from a general perspective to e-service quality which have identified 5 factors, including: performance, connectivity, safety, empathy and information. Before, Yang & Jun (2002) also confirmed that there are 6 factors, namely: reliability, accessibility, ease of use, personalization, security and reputation that affect service quality on the internet. However, approaching from the customer satisfaction view on the internet, Zeithaml et al (2002) have come up with an e-SERVQUAL model that includes 7 dimensions: efficiency, compensation, reliability, privacy, fulfillment, responsiveness, contact. On that basis, Gerrard & Cunningham (2003) have studied more specifically with satisfaction with the banking services quality on the internet including: presence, ease of use, reliability, responsiveness, security, staff quality. This result reinforces the study of Lee et al. (2011) on the relationship between internet service quality, relationship quality and customer loyalty in the Taiwan bank, which has shown relatively specific factors that affect the e-service quality.

However, the above studies only approach from the perspective of services provided by the bank through the website, but have not entered the specific application segment. Based on the analysis studies and on the practical situation of deploying e-banking applications in Vietnam, these applications are focusing on the following aspects: ensuring reliability, responsiveness customer needs, equipped with modern facilities, improved service capacity when implementing e-banking, benefits for customers and the attention and support of employees. Therefore, this paper inherits and adapts the e-SERVQUAL model of Zeithaml et al (2002) with 6 dimensions of the e-banking service quality, including: reliability, responsiveness, Tangibility, service capacity, Empathy and Price.

2.1.4. Satisfaction

In 1981, Oliver referred customer satisfaction to the complete fulfilment of one's expectations. It is an attitude or feeling that results from having used some product or service. Marketing activities are directly linked to customer satisfaction and sometimes it is associated with consumer

buying behaviour. If a customer is satisfied with a service or product after having used it, then the chances are increases in repeat purchase of that service or product (East, 1997). The intentions to repeatedly purchase the product rely heavily on customer satisfaction (Taylor & Baker, 1994). Not only this, the satisfied customer shares his positive experience with others and becomes a source of word-of-mouth advertising. On the other hand, a dissatisfied customer results in negative word-of-mouth advertising and is more likely to switch the brand or product.

Churchill and Surprenant (1982) showed that satisfaction is the outcome of the purchase and product using, derived from a comparison between the buyer expected results and their actual investment. Oliver (1997) defines satisfaction as the level of satisfaction of fulfillment related to consumption. Satisfaction, on the other hand, refers to overall satisfaction and it is cumulative judgments based on the purchase of a product or service or related consumer experience (Garbarino et al., 1999). Furthermore, relationship satisfaction is an affective or emotional state of being in a relationship, often assessed cumulatively in exchange history (Palmatier et al., 2006). The satisfaction component of relationship quality is the user's assessment of the relationship with the service provider. The main source of relationship satisfaction is a previous positive interaction with the service provider.

2.1.5. Relationship between e-banking service quality and customer satisfaction

The relationship between service quality and customer satisfaction is a topic that researchers have repeatedly discussed in many studies. Customer satisfaction in service industries has been carried out and it is generally concluded that service quality and satisfaction are two distinct concepts. Customer satisfaction is a general concept that shows to the satisfaction of customers when consuming a service, while service quality is concerned with specific components of the service (Zeithaml & Bitner et al., 2000).

Service quality is the most influential factor on customer satisfaction (Cronin and Taylor, 1992; Ahmad and Kamal, 2002). If a service provider provides customers with quality products that meet their needs, that business has initially made customers satisfied. Meanwhile, Parasuraman et al., (1991), said that there are some differences between service quality and customer satisfaction, the main difference being the issue of "cause and effect". Previous studies have shown that service quality is the cause of satisfaction (Cronin and Taylor, 1992). The reason is that service quality is related to service delivery, while satisfaction can only be assessed after using the service.

- Reliability: Reliability is the ability to perform committed and accurate e-banking services (Gerrard & Cunningham, 2003; Ayo et al., 2016). When Reliability is appreciated by the customer which increases/decreases so the customer's satisfaction with e-banking service of Vietinbank - Quang Ngai branch also increases or decreases accordingly. Focused on the above literature review, the following hypotheses are formulated:

H1: There is a strong positive relationship between reliability and customer satisfaction with e-banking services.

- Responsiveness: Responsiveness is being ready to help customers use e-banking services and provide quick support (Sakhaei et al., 2014). Liao and Cheung (2002) and Gerrard and Cunningham (2003) discovered that the transaction pace (the observed pace of response from

e-banking) and the rapid access to e-banking accounts were significant qualities for customers operating e-banking. When Responsiveness is appreciated by the customer which increases/decreases so the customer's satisfaction with e-banking service of Vietinbank - Quang Ngai branch also increases or decreases accordingly. Focused on the above literature review, the following hypotheses are formulated:

H2: There is a strong positive relationship between Responsiveness and customer satisfaction with e-banking services.

- Tangibility: Tangibility is expressed through electronic means for the e-banking system (Gerrard & Cunningham, 2003). The service quality aspect Tangibility is described by whether the physical resources linked to the service are visually attractive at the bank. These are all features that clients observe prior to or upon arriving the bank. Such graphic features assist customers shape their early impressions.

When Tangibility is appreciated by the customer which increases/decreases so the customer's satisfaction with e-banking service of Vietinbank - Quang Ngai branch also increases or decreases accordingly. Focused on the above literature review, the following hypotheses are formulated:

H3: There is a strong positive relationship between Tangibility and customer satisfaction with e-banking services.

- Service capacity: E-banking services show the professional qualifications, service style, professionalism, trust, polite and welcoming service style of service staff (Nguyen et al., 2020). When Service capacity is appreciated by the customer which increases/decreases so the customer's satisfaction with e-banking service of Vietinbank - Quang Ngai branch also increases or decreases accordingly. Focused on the above literature review, the following hypotheses are formulated:

H4: There is a strong positive relationship between Service capacity and customer satisfaction with e-banking services.

- Empathy: e-banking staff show concern, answering and reacting to requests of customers transacting on the e-banking system (Nupur, 2010). Empathy is attention, caring and individual service is given to the customer. When Empathy is appreciated by the customer which increases/decreases so the customer's satisfaction with e-banking service of Vietinbank - Quang Ngai branch also increases or decreases accordingly. Focused on the above literature review, the following hypotheses are formulated:

H5: There is a strong positive relationship between Empathy and customer satisfaction with e-banking services.

- Price: Price factors imply that observed comparative commercial benefits will spur customers to operate e-banking (Sathye, M., 1999). This dimension shows that customers' perceptions are affected by the cost of using the Bank's services. When the customer satisfaction on price is high or low so the customer satisfaction level also changes accordingly (Okeke et al., 2015). Focused on the above literature review, the following hypotheses are formulated:

H6: A lower price paid by consumers' will positively impact on consumers' customer satisfaction with e-banking services.

2.2. Research model

Figure 1 shows the conceptual model of our study. The e-SERVQUAL measurement model comprises six dimensions such as Reliability, Responsiveness, Tangibility, Service capacity, Empathy and Price. These dimensions are used to measure e-banking service quality in Vietinbank, Quang Ngai branch. In addition, based on the past literature, Figure 1 further illustrates the relationship between e-banking service quality and customer satisfaction.

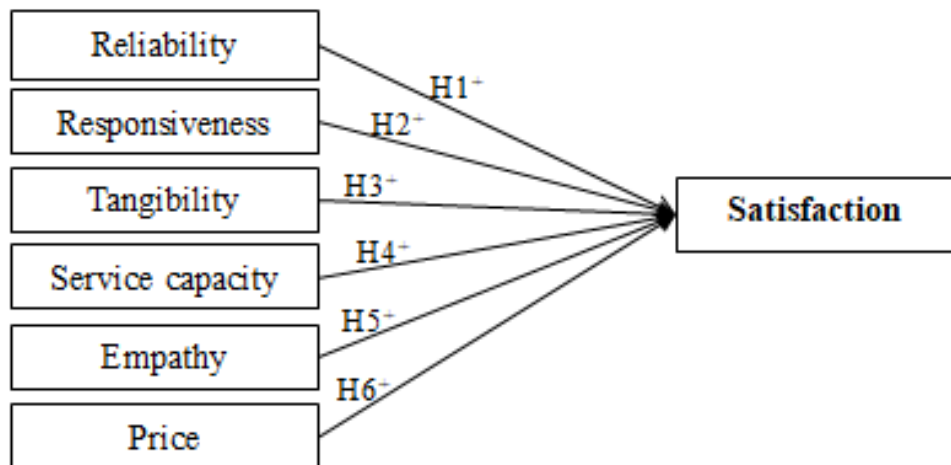


Figure 1. Modelling framework

3. RESEARCH METHODOLOGY

3.1. Measurement instrument

The SERVQUAL five dimensions are suggested by Zeithaml et al (2002), Parasuraman (1998), Othman and Owen (2001, 2002), Gerrard & Cunningham (2015) which are further modified and adapted by this study. In addition, satisfaction concept is adapt from Lassar et al. (2000) with four items. Questionnaire items were modified and substituted carefully in the service industry, specifically banking sector. The data in the study were collected base on questionnaire form according to the random convenience sampling method. After coding and cleaning, the data is exploratory factor analysis (EFA), reliability test (Cronbach' alpha), multiple regression analysis and T-test, ANOVA analysis via SPSS software.

3.2. Data collection

Sample data are used and data collection is done via survey method. This study aims to target those customers who have at least an Vietinbank account, Quang Ngai branch. Data collection is based on a 5-point Likert scaling questionnaire which was adopted in the previous literature. The present study was conducted in October, 2020 – February, 2021 and a non-probability sampling technique (convenience sampling) was applied.

A 5-point Likert scale ranging from (1) “strongly disagree”, (2) “disagree”, (3) “neutral”, (4) “agree” and (5) “strongly agree” was used to measure the perception of e-banking service quality in Vietinbank.

Therefore, this method is preferable for data collection due to the above restriction. In this work, in order to ensure the observations size for the study, the author has balanced the choice of the observations number after discussing and considering all the estimated parameters in the model, all items used to measure the observed variables are 29 items. Based on the measurement items number and research concepts, the minimum sample size for this study is $29 \times 5 = 145$ observations. However, in the official study, the work has used the observations number is 325. Thus, it is possible to conclude that the observations number $n = 325$ as a guarantee for the research results. During the data collection time, all respondents were requested politely to participate in the study on voluntary basis, and informed that their information will be kept confidential. In addition, the questionnaire is based on e-banking service quality dimensions (independent variables) such as Reliability, Responsiveness, Tangibility, Service capacity, Empathy and Price, whereas customer satisfaction (dependent variable) is tested with these e-banking service quality dimensions. Then, We used the SPSS 20.0 statistical package for descriptive analysis of the sample structure.

4. RESEARCH RESULTS

4.1. Respondents Profile

The respondents' profile in our study is presented in Table 1. This table provides the overall description of sampled respondents. In this table, 31.7 % of the respondents were male and 68.3% of the respondents were female. During the data collection time, most of the respondents were between 18 and under 26 years of age (36%), 26 and under 40 (28%), 41– under 55 (19,1%), and 55 above (16.9%). The sample comprises on education background has 58.5% less than undergraduates, 24.9% post-graduates and 16.6% undergraduates. It shows that most of customer's education background is less than undergraduates.

Table 1. Sample demographic characteristics

Gender	Freq.	%	Education Background	Freq.	%
Male	103	31.7	Less than undergraduates	190	58.5
Female	222	68.3	Undergraduates	54	16.6
Total	325	100	Post-graduates	81	24.9
Age	Freq.	%	Total	325	100
18 – under 26	117	36	Income/month (million VND)	Freq.	%
26 - under 40	91	28	< 6	64	19.7
40- under 55	62	19.1	From 6 to under 9	181	55.7
>55 years	55	16.9	From 9 to under 12	50	15.4
Total	325	100	> 12	30	9.2
			Total	325	100

Source: Authors' estimation

4.2. Reliability analysis

In this study, Cronbach's alpha is used to assess the scales reliability used to measure concepts in the research model. Cronbach's alpha is the most commonly used coefficient when evaluating

the reliability of multivariate scales (including 3 or more observed variables). It measures the consistency of observed variables on the same scale to measure the same concept. In factor analysis, many researchers agree that when Cronbach's alpha is from 0.8 to nearly 1, the scale is good, from 0.7 to nearly 0.8 is usable (Nunnally and Bernstein, 1994). Some researchers suggest that Cronbach's alpha of 0.6 or higher is usable in case the concept under study is new to the respondents in the study context (Slater, 1995). In assessing the scale reliability, it should be noted that Cronbach's alpha measures the reliability of the whole scale, not the reliability of each observed variable. Moreover, variables in the same scale are used to measure the same research concept so they must be closely related. Therefore, when examining each measurement variable, the corrected item – total correlation is used. If a measurement variable has corrected item – total correlation (adjusted) > 0.3 , that variable is satisfactory (Nunnally and Bernstein, 1994). During the verification the scale reliability by Cronbach's alpha coefficient, the variables were excluded due to failure. Specifically, for Empathy scale with 2 variables EMP4 and EMP5 are disqualified. Then, we conduct Cronbach's Alpha a second time and the results are shown in Table 2. The above variables are excluded due to the corrected item – total correlation 0.6 to ensure reliability, and the corrected item – total correlation of the all variables in this scale is greater than 0.3. As such, the scales meet the required reliability and are eligible for inclusion in EFA analysis.

Table 2. The scales reliability in the research model

Scale	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item – Total Correlation	Cronbach's alpha if Item Deleted
Reliability (REL): Cronbach's Alpha = 0.883				
REL1	14.48	4.016	0.723	0.856
REL2	14.50	4.053	0.705	0.860
REL3	14.46	3.972	0.735	0.853
REL4	14.50	4.047	0.728	0.855
REL5	14.52	4.010	0.697	0.862
Tangibility (TAN): Cronbach's Alpha = 0.850				
TAN1	11.48	1.466	0.728	0.793
TAN2	11.26	1.705	0.599	0.846
TAN3	11.42	1.585	0.711	0.801
TAN4	11.46	1.484	0.725	0.794
Empathy (EMP): Cronbach's Alpha = 0.829				
EMP1	13.18	2.295	0.520	0.602
EMP2	13.53	2.102	0.594	0.564
EMP3	12.82	2.098	0.542	0.588
Service capacity (CAP): Cronbach's Alpha = 0.928				
CAP1	10.86	2.383	0.874	0.892
CAP2	10.87	2.479	0.805	0.916
CAP3	10.83	2.579	0.803	0.916
CAP4	10.83	2.548	0.849	0.901
CAP5	10.86	2.383	0.874	0.892
Responsiveness (RES): Cronbach's Alpha = 0.676				
RES1	11.20	1.743	0.544	0.557

RES2	11.21	1.767	0.476	0.599
RES3	11.03	1.974	0.412	0.640
RES4	11.10	1.622	0.425	0.645
Price (PRI): Cronbach's Alpha = 0.787				
PRI1	6.17	1.061	0.614	0.725
PRI2	6.18	1.040	0.608	0.731
PRI3	5.58	.948	0.660	0.674
Satisfaction: Cronbach's Alpha =0.781				
SAT1	10.09	1.288	0.593	0.724
SAT2	10.19	1.218	0.651	0.692
SAT3	10.44	1.376	0.607	0.720
SAT4	10.35	1.402	0.501	0.770

Source: Authors' estimation

4.3. Exploratory factor analysis (EFA)

Exploratory factor analysis was conducted with 24 observed variables of 6 independent factors affecting satisfaction with the e-banking services quality of Vietinbank, Quang Ngai branch.

The analysis results show that Kaiser –Meyer –Olkin (KMO) and Bartlett's tests have been performed to check the sampling adequacy of our research. The value of KMO for all items is 0.729, that is, 72.9%, indicating that our sampling adequacy is satisfactory compared with 0.5, that is, 50% of benchmark (Leech, Barrett, & Morgan, 2005, p. 82). Bartlett's test of sphericity confirms the significant differences in the properties of the correlation matrix and identity matrix. If the probability value of this test is less than 0.05, then it shows the significant difference in the properties of the correlation matrix and identity matrix, which is desirable (Leech et al., 2005, p. 82). In our findings, the value of Bartlett's test of sphericity shows significance at the 1% level, which implies that our sample data are appropriate for factor analysis (Bartlett's, 1954).

Besides, EFA analysis result of all items of e-banking service quality is $KMO = 0.729$, $Sig. = 0.000 < 0.05$; cumulative = 72.723% ($\geq 50\%$) and Eigenvalue = 1.628 > 1 which are qualified.

Table 3. EFA analysis in the research model

KMO and Bartlett's Test						
KMO Measure of Sampling Adequacy 0.729						
Bartlett's Test of			Approx. Chi-Square		4468.74	
Sphericity	df				253	
	Sig				0.000	
Rotated Component Matrix						
Items	1	2	3	4	5	6
CAP1	.921					
CAP4	.882					
CAP3	.874					
CAP2	.830					
CAP5	.810					
REL3		.837				

REL	Pearson Correlation	.035	1	.303**	.078	.101	-.005	.079
	Sig. (2-tailed)	.030		.000	.660	.569	.724	.753
	N	325	325	325	325	325	325	325
TAN	Pearson Correlation	-.049	.303**	1	.263**	.008	-.134*	-.192**
	Sig. (2-tailed)	.002	.600		.720	.783	.816	.701
	N	325	325	325	325	325	325	325
EMP	Pearson Correlation	-.139*	.078	.263**	1	.264**	-.016	-.124*
	Sig. (2-tailed)	.012	.760	.610		.620	.771	.826
	N	325	325	325	325	325	325	325
CAP	Pearson Correlation	-.069	.101	.008	.264**	1	.103	.005
	Sig. (2-tailed)	.018	.569	.683	.687		.765	.735
	N	325	325	325	325	325	325	325
RES	Pearson Correlation	.036	-.005	-.134*	-.016	.103	1	.195**
	Sig. (2-tailed)	.022	.724	.616	.771	.765		.626
	N	325	325	325	325	325	325	325
PRI	Pearson Correlation	.305**	.079	-.192**	-.124*	.005	.195**	1
	Sig. (2-tailed)	.000	.553	.601	.726	.795	.790	
	N	325	325	325	325	325	325	325

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

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

Source: Authors' estimation

- Regression analysis results

ANOVA results show that the F-statistic of the model = 115,085 with a significance level of 1% (sig = 0.000), showing that the multiple linear regression model is suitable for the data or the independent variables have a linear independent relationship with the dependent variable and the model can be used. The model has an adjusted R2 = 0.679, or 67.9% of satisfaction variation is explained by the independent variables. Regression results also show that there are 6 variables with statistical significance at 1% (Sig. ≤ 0.01), the theoretical model is consistent with the research data and all 06 research hypotheses are accepted. The standardized regression equation has the form (Table 5):

$$\text{SAT} = 0.494\text{CAP} + 0.235\text{REL} + 0.250\text{TAN} + 0.408\text{EMP} + 0.196\text{PRI} + 0.105\text{RES}$$

The coefficient $1 < \text{Durbin-Watson} = 1.801 < 3$ is satisfied, $\text{VIF} < 10$ shows that the independent variables are not closely related, so multicollinearity does not occur. Thus, the linear regression model built according to the above equation does not violate the regression hypothesis.

Table 5. The results of Regression testing

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	-0.832	0.180		4.634	0.000		
CAP	0.365	0.025	0.494	14.612	0.000	0.866	1.155
REL	0.176	0.024	0.235	7.425	0.000	0.993	1.007

TAN	0.228	0.029	0.250	7.745	0.000	0.949	1.053
EMP	0.299	0.024	0.408	12.661	0.000	0.953	1.050
PRI	0.151	0.025	0.196	6.160	0.000	0.983	1.017
RES	0.003	0.024	0.105	0.134	0.894	0.828	1.208

Source: Authors' estimation

4.5. Hypothesis testing

To see if the residuals follow a normal distribution, we build a Histogram frequency plot and Normal Q-Q Plot to investigate the normal distribution of the residuals. Using SPSS software to draw these two graphs and the results show that on the Histogram, Mean = 1.44E-15 is close to 0 and the standard deviation is 0.991 is close to 1 (Figure 2).

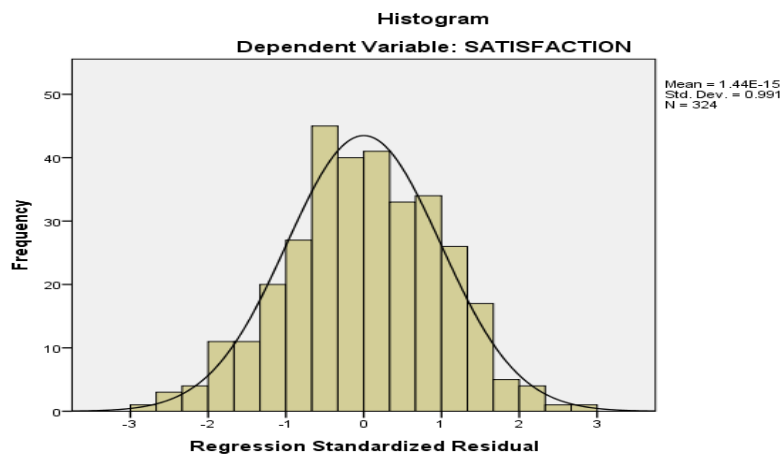


Figure 2: Regression Standardized Residual Histogram

In addition, Normal Q-Q Plot (Figure3) shows dots scattered close to the diagonal. Thus, the residual distribution can be considered as a normal distribution or the normal distribution hypothesis is not violated.

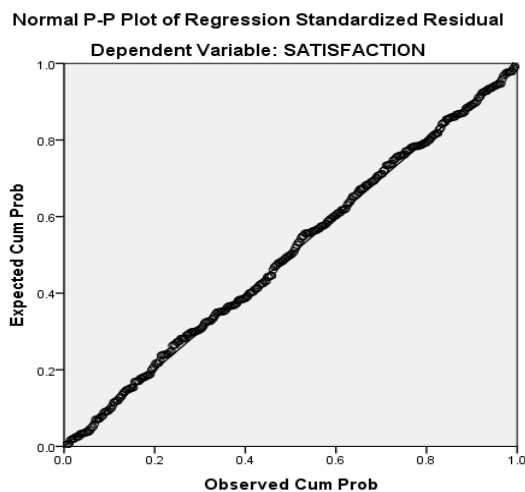


Figure 3: Normal Q-Q Plot of Regression Standardized Residual

The method used to test the assumption of linear relationship is the scatter plot. We use SPSS 20 software to draw this graph and the results show that the residuals are randomly scattered in the area around the line passing through the zero coordinate as shown and do not create any order for the predicted value. So the linear relationship assumption is not violated.

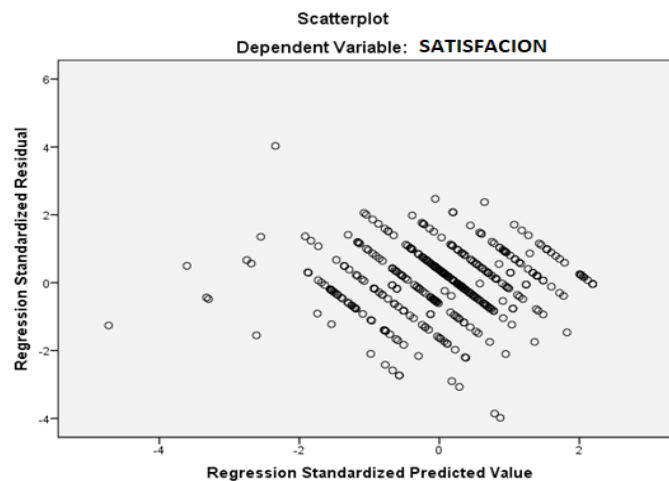


Figure 4. Scatter plot

5. DISCUSSION AND IMPLICATION

Discussion

The aim of this study is to examine the relationship between service quality and customer satisfaction in the context of Vietinbank, Quang Ngai branch. This study has also aimed to measure service quality and customer satisfaction by using the modified SERVQUAL model and adding compliance dimension in the basic model. A survey questionnaire has been adopted and modified carefully, which comprises a total of 29 items. In this study, we have used a sample of total 325 respondents who are Vietinbank customers, Quang Ngai branch. After the data collection process, we have applied various statistical tests in order to examine the relationship between service quality and customer satisfaction in Vietinbank, Quang Ngai branch. The results of this study confirmed that all six dimensions (Reliability, Responsiveness, Tangibility, Service capacity, Empathy and Price) of e-banking service quality are distinct constructs. These dimensions have a positive and significant impact on customer satisfaction. The findings indicate that e-banking service quality with the six dimensions of our study has suitable reliability, whereas each dimension is positive and significantly associated with e-banking service quality. In general, our estimations highlight that Vietinbank customers are more satisfied with the compliance dimension..

Service capacity ($\beta=0.494$) has the highest β -standardized value, so based on the regression model, this is the factor that has the most impact on customer satisfaction. This is understandable because compared to traditional services, Vietinbank ipay service provides phone services via the internet and transact through the internet, not directly through a bank. But when customers learn about Vietinbank ipay, register to use the service, how to use the service or want to change some information of the customer, they all meet the bank staff directly. Therefore, professional

qualifications, attitude and ability to communicate, ability to handle business, resolve customer complaints also greatly affect the customer satisfaction level when using Vietinbank ipay. This result is similar to the conclusion in the study of Nguyen et al. (2020) on the e-banking service quality in Hanoi banks, Vietnam, the study found that service capacity has a positive impact on customer satisfaction with e-banking services.

Empathy ($\beta = 0.408$) has the second high β -standardized value. Empathy is the response to the customer's wishes, understanding the needs and satisfying the customer which is highly appreciated by customers. Therefore, Empathy is also a factor that has the second high influence on customer satisfaction with a regression coefficient of 0.408, the statistical results show that empathy is assessed at an average of 3.2287. This shows that customers are not really satisfied with the bank's empathy. This result is similar to the conclusion in the study of Nguyen et al. (2020) on the e-banking service quality in Hanoi banks, Vietnam, the study found that empathy has a positive impact on customer satisfaction with e-banking services.

Tangibility ($\beta = 0.250$): has the third high β -standardized value. Tangibility means is an influencing factor with a relatively large influence on customer satisfaction with a regression coefficient of 0.250. Statistical results show that Tangibility vehicles are rated at an average of 3.8023. This shows that customers are still not satisfied with the Tangibility means of Vietinbank ipay of Vietinbank – Quang Ngai branch. This result is similar to the conclusion in the study of Nguyen et al. (2020) on the e-banking service quality in Hanoi banks, Vietnam, the study found that tangibility has a positive impact on customer satisfaction with e-banking services.

Reliability ($\beta = 0.235$) has the fourth β -standardized value of 6 factors. This is also an important factor to make customers believe that the bank will deliver what they promise to do. In the research model, reliability is also an influencing factor that affects the customer satisfaction when using Vietinbank ipay of Vietinbank with the regression coefficient 0.235. However, the statistical results show that the customer's trust is rated at an average of 3,6228. This shows that customers still do not have too high trust in Vietinbank ipay of Vietinbank – Quang Ngai branch. This result is similar to the conclusion in the study of Nguyen et al. (2020) on the e-banking service quality in Hanoi banks, Vietnam, the study found that reliability has a positive impact on customer satisfaction with e-banking services.

Price ($\beta = 0.196$) has the fifth β -standardized value of 6 factors. Service prices have a low impact on customer satisfaction, with a regression coefficient of 0.196, statistical results show that service prices are assessed at below average 2.9877. This shows that customers are not satisfied with Vietinbank ipay. This result is similar to the conclusion in the study of Nguyen Hong Quan (2020) on the e-banking service quality in Tien Phong banks, Vietnam, the study found that price has a positive impact on customer satisfaction with e-banking services.

Responsiveness ($\beta = 0.105$) has the lowest β -standardized value. Responsiveness have the lowest impact on customer satisfaction, with a regression coefficient of 0.105, statistical results show that Responsiveness are assessed at below average 2.9877. This shows that customers are not satisfied with Vietinbank ipay. This result is similar to the conclusion in the study of Nguyen et al. (2020) on the e-banking service quality in Hanoi banks, Vietnam, the study found that responsiveness has a positive impact on customer satisfaction with e-banking services.

Conclusion, this research contributes to the existing body of knowledge by providing substantial knowledge over e-banking service quality and customer satisfaction in Vietinbank – Quang Ngai branch. In addition, a comprehensive measurement scale is developed, including e-SERVQUAL dimensions, in order to measure e-banking service quality and customer satisfaction.

Implications

The rapid increase in number of automated delivery channels and customers' preference to use the online products because of multifaceted attributes are placing pressure on banks to respond aggressively to meet the customers' needs. The paper provides necessary input to bank management to increase customers' involvement through improving e-banking service quality; lowering risk; and enhancing responsibilities. This aspect should be augmented and integrated with other aspects of the service quality like e-readiness of banks for satisfaction of customers. The study provides necessary input to bank management to increase customers' involvement through improving service quality; lowering risk; and enhancing security of operations. This aspect should be augmented and integrated with other aspects of the service quality like e-readiness of banks for satisfaction of customers.

The results of this study show that Service capacity factor which the most effecting on satisfaction. Therefore, the development of high-quality human resources, especially senior leaders and professional staff is very essential. Vietinbank needs to review and rearrange job positions to suit the each staff capacity in network planning, improve labor productivity and save operating costs. Besides, Vietinbank should conduct a survey on employee satisfaction with the working environment to create a premise for building a competitive, healthy working environment and good remuneration.

Good facilities not only affect the the bank image with customers but also affect the service capacity and transaction ability of employees. Thus, transaction counters should be built reasonably. Although to use Vietinbank ipay Mobile service, customers do not go directly to the bank's transaction counter, just use the app on their phone, but when registering or solving problems that arise, they still have to go to the branches or transaction offices to carry out the procedures. Therefore, their expectations for the bank's facilities improvement are also understandable. And building a staff with beautiful and professional appearance creates a warm and friendly relationship between bank staff and customers. Moreover, build an online financial library for customers, because not all customers have financial knowledge. The last but not least, designing an easy-to-use and attractive app and website interface, fast access speed, and easy information search will help customers see that it's easy to make transactions on Vietinbank ipay Mobile.

The bank needs to pay attention to the training and coaching of employees, especially those who directly provide Vietinbank ipay Mobile services to customers, because this is the the face of the bank which is an important part that has a great impact on customer satisfaction with the bank's services in general and Vietinbank ipay Mobile service in particular. On the other hand, it is necessary to reduce administrative procedures in the registering process and using the service. Especially in the procedure of opening an account, registering to use and resolving complaints.

In order to increase customers' trust in e-banking services quality in general as well as

Vietinbank ipay Mobile services in particular, technology is the key point. Therefore, the bank must strengthen its security policy, improve the operational efficiency of the information technology system, optimize the system's processing power, and ensure stable, smooth transactions, not overloaded. Especially, ensure safe and secure operation of all information technology systems.

In addition, strengthen linkages and cooperation with more partners in online payments via the app and offer preferential service prices to customers when paying online through banks. The bank should apply a preferential fee schedule to customers with long-term transaction relationships, traditional customers, customers with large transaction turnover.

Finally, the bank needs improve the quality and service attitude of employees, towards professionalism. Step by step building a mechanism to automate transactions and operations in order to handle work quickly and professionally. Moreover, the bank establishes a hotline to serve customers anytime, anywhere. Customers will feel more satisfied when they are served every time.

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THE COMPETITIVENESS OF VIETNAMESE COMMERCIAL BANKS FROM THE VALUE CHAIN PERSPECTIVE

MA. Nguyen Ngoc Thao Trang¹

Abstract: *This paper aims to establish the application of value chain as a competitive advantage tool in Vietnamese commercial banking sector. A value chain is a management tool that helps to analyze specific activities through which the firm can create value and competitive advantages. The application of value chain model has a wide range from fund raising, products and services, marketing and sales, to customer services. Thereby, the author recommends some specific solutions that are suitable for Vietnamese commercial banks.*

Key words: *Competitiveness, Value chain, Vietnamese commercial banks.*

1. INTRODUCTION

The issue of strengthening the financial system of Vietnam in general and commercial banks in particular in the trend of international integration has begun to be discussed since the wave of foreign capitals moved to developing countries, flourished in the second half of the 20th century. The change in Vietnam's economic management has continued to strongly promote this historic trend. Vietnam has gradually established the foreign exchange market, the stock market and other forms of secondary financial markets that are intertwined in a poorly defined market economy.

The adhering to the World Trade Organization (WTO) and a series of international trade agreements continue to be a stronger "reagent" for the power of the Vietnamese financial system, which is still too young. Some large foreign financial institutions will have abundant and diversified opportunities in Vietnam and be treated equally with domestic banks. This fact poses an urgent task for both the scientific community, the banking administrators, and the regulators and policymakers of Vietnam to improve the competitiveness of the Vietnamese commercial banking system. under international integration. This paper aims to access to the origins of competitiveness through a new perspective of value chain theory, thus presenting a number of recommendations and suggestions to improve the competitiveness of Vietnamese commercial banks in the context of Vietnam fully opening up banking services and fulfilling commitments to open its market.

2. LITERATURE REVIEW

2.1. Competition analysis

There are many different views on competition, including competition from the school of organizational economics (Porter, 1981), economics of monopolistic competition (Chamberlin,

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1961), and Austrian economics (Grimm et al. 2006). Organizational economics (Porter, 1980), referred to as IO (Industrial Organization), is generalized through the relationship between industry structure, business operations or strategy and industry performance. Also known as the SCP (Structure-Conduct-Performance) model. The key point of the IO model is that business results depend mainly on the industry structure in which businesses are competing with each other. The structure of the industry will determine the behavior (business strategy) of the firm and this will lead to the industry performance (Porter, 1981). M. Porter (1985, 1998), competition is gaining market shares. The essence of competition is to seek profits, which is higher than the average profits that an enterprise has. The result of a competition is that the average profit margin in the industry follows the direction of deep improvement, resulting in lower prices.

Competition, according to the economics of monopolistic competition, focuses on the differentiation of products and services. The competition model in IO and the monopolistic competition model both focus on explaining the firm's strategy and business performance in competition. However, the IO model begins with a focus on the structure of the industry and is followed by strategy and outcomes. The economics of monopolistic competition begins by focusing on a particular firm's competencies such as technological know-how, corporate reputation, trademarks, patents, and brand awareness, and is followed by track the impact of this difference on the business strategy and results pursued by the business. Competition in the industry is based on the differences of enterprises and is now the source of creating competitive advantages of enterprises.

Austrian economics emphasizes the dynamic process of market movements, where firms gain competitive advantage through their ability to explore and act creatively in competition (Grimm et al., 2006). The important point is that competition in Austrian economics emphasizes the role of knowledge and learning in dynamic competitive markets. Constantly changing knowledge will lead to changing market and this change creates market imbalance, which brings new profit opportunities for businesses. With a dynamic view of the market, although the unit of analysis in Austrian economics is the industry and the economy, this school of competition forms the basis of the theory of firm dynamics.

Theory of resources: The theory of enterprise resources focuses on competitive analysis based on internal factors, that is, the resources of the enterprise. Resources of the enterprise are shown in two groups: tangible and intangible (Grant, 1991). Tangible resources include financial and tangible resources. Intangible resources include the company's technology, reputation and human resources. According to Barney (1991), a resource that creates an advantage for enterprises in competition must satisfy the following four conditions: (1) valuable, (2) rare, (3) difficult to imitate, (4) non-substitutable, referred to as VRIN

According to the Vietnamese Wikipedia (2014): "*Competition* (in business) is a contention among commodity producers, traders, and entrepreneurs in a market economy, which governs supply and demand relationship, aiming to gain the most favorable production conditions and consume the most profitable markets".

2.2. Competitive advantage

The Michael E. Porter's point of view (1980, 1998), competition is the fundamental issue that determines the success or failure of a business. Competition strategy is the search for competitive advantage in the industry – the main *arena* of competition in order to create a competitive and sustainable position against the pressures that drive competition in the industry. The basic foundation for an enterprise to achieve above-average profitability in long-term is its sustainable competitive advantage. Even though it has many strengths and weakness over its rivals, there are two types of competitive advantages that an enterprise can own: low cost or differentiation. These combine with the scope of a business pursuing will allow to create three general competitive strategies to meet the business' objectives is cost leadership, differentiation and focus strategies. He further observed that if a firm can deliver its benefits at low cost then it will have competitive advantage over its rivals (M. Porter, 1985, 1998).

Christensen H. Kurt (2010, p.21) said that "Competitive advantage is any value a business provides to its motivate customers to buy its products and services rather than those of competitors, thereby creating barriers to potential and current competitors".

Competitive advantage is gained when a company move into a position where it has an edge in coping with market forces. To survive in competitive environment, an organization has to adjust its strategies in response by developing competitive strategies especially at market level (Porter 1990). Kottler and Keller (2006) found out that the task of any business in a market is to deliver customer value at a profit in hyper competitive economy with increasing rational buyers faced with abundant choices, a company can win only by fine tuning the value delivery process by choosing, providing and communicating a superior value.

2.3. Competitiveness analysis

There are many definitions of competitiveness and this paper would like to quote some key concepts, mentioned in terms of enterprises' competitiveness so as to clarify this issue.

Firstly, the enterprises' competitiveness is the ability to maintain, expand market share and achieve high profits (M. Porter 1985, 1998). Secondly, competitiveness means productivity. Thirdly, competitiveness means maintaining and enhancing competitive advantages (M. Porter, 1985, 1998). Fourthly, the enterprises' competitiveness depends on the ability to combine their resources so as to create their competitive advantages (Sanchez & Heene, 1996, 2004).

In the field of banking and finance, there are many concepts of commercial banks' competitiveness, the paper would like to quote some concepts as follows:

Nguyen Thanh Phong (2010) defines: "Competitiveness of commercial banks is the ability created by the banks on the basis of maintaining and developing their inherent advantages in order to consolidate and expand their market share; increase profits and enable to resist and overcome adverse changes in business environment". According to Nguyen Thi Quy (2008), "Competitiveness of a bank is the ability of a bank to create, maintain and develop the advantages to keep and expand its market share; achieve higher returns than the industry average and continue to grow, while ensuring safe and healthy operations that are resilient and able to weather the adverse business environment".

Some recent studies in Vietnam on the competitiveness of commercial banks such as: Dang Huu Man (2010), Nguyen Thu Hien (2011), Phan Thi Hong Nga (2013), Hoang Thi Thanh Hang (2013), Le Tham Duong (2013) shows that commercial banks can promote their competitiveness not only with basic products but also in the uniqueness, diversity of products and services, and successful marketing of those products and services to customers (Phan Thi Cuc, 2006). The effectiveness of human resources policies, especially recruitment policies, and remuneration mechanisms is an important indicator to assess the ability of a bank to maintain a high-quality human resource team (Nguyen Huu Tha, 2014); The management, control and administration capacity of leaders in the bank plays a very important role in ensuring the efficiency and safety in banking operations (Pham Thanh Binh, 2005). Brand is an intangible asset that a bank has, which will be the main weapon for that bank to rise up in competition with rivals (Le Tham Duong, 2013). Commercial banks are developing products with high technology applications, and using technological products and services as a measure of competition, especially in the field of payment and service products (Le Tham Duong, 2013).

In this study, the competitiveness of commercial banks is defined as follows: "Competitiveness of commercial banks is the ability to use, coordinate resources so as to maintain and create their advantages compared to competitors and achieve the goals set in the ever-changing business environment".

2.4. Value chain analysis

The value chain describes the activities occurring in the industry and is related to the analysis of the competitiveness of the industry. Value chain analysis is understood as a way of identifying the best practices performed by the best suppliers in the industry. These activities are directly related to the competitive advantage of the industry. A value chain describes the entire range of activities required to transform a product or service from conception, through various stages of production, to distribution to final consumers and consumption. destroyed after use (Kaplinsky, 1999; Kaplinsky & Morris, 2001). In a narrow sense, a value chain includes a series of activities carried out within a company to produce a certain output. In a broad sense, a value chain is a complex of activities carried out by many different actors (primary producers, processors, traders, service providers, and many other stakeholders).) to turn raw materials into finished products for retail sale. Thus, the value chain in a broad sense includes the production system of input materials and moves along the links with production, trading, assembly, processing, and distribution units, and consumers. . In which, functional activities of the value chain include basic goods production, collection, processing, wholesale and retail, as well as supporting functions such as supplying input materials, financial services, and packaging and marketing (Vermeulen et al., 2008)

There are many value chain approaches to products, of which four are common: Porter's value chain approach, GTZ's value chain approach, category approach, and holistic approach.

M. Porter (1985) defines a value chain as consisting of a series of activities performed within a company to produce a certain output. In this approach, the value chain is understood in a narrow sense and emphasizes the basics of the value chain of a product in a company. In which, businesses find competitive advantages by separating a chain of activities with many activities; improving

the competitiveness of enterprises can be analyzed by looking at the value chain; and value chain analysis mainly aimed at supporting management decisions and management strategies for maximum profit results.

The GTZ value chain approach has the following main features: the value chain focuses on technical, quantitative and material relationships; the value chain describes and identifies the product flow and the actors involved in creating value for the product in the chain; analysis of governance and distribution relationships in the chain. This approach is said to be suitable for small value products and chain links formed at the local or regional level to aim at development and poverty alleviation. According to this approach, the chain analysis consists of two main areas namely financial and economic analysis and strategic analysis of the chain. Financial analysis and value economics focus on individual benefit analysis and distribution. Strategic analysis of the value chain focuses on the interactions between actors and individual and collective strategies. The analysis results provide the basis for impacting on the current value chain to help upgrade the value of the current product chain.

The commodity chain approach, developed by the French Institute of Agricultural Research - INRA and the French Center for Agricultural Research for International Development - CIRAD, considers the product value chain as a commodity in the market. market and analyze the current market system by assessing how public policy, investment and institutions impact the production system. This analytical framework includes quantitative analysis of inputs, outputs, prices and added value along the industry chain through the actors in the chain.

The global value chain approach was proposed by Kaplinsky (1999), Gereffi (1999), and Gereffi and Memodovic (2003). This approach is based mainly on Porter's value chain concept. According to Kaplinsky (1999), "A global value chain is a production and business chain in the form of globalization, in which many countries participate, mainly enterprises participating in different stages from design, manufacture, marketing, distribution, and consumer support". In fact, the global value chain is a new, more comprehensive approach to the international division of labor, meaning that any enterprise involved in the production of an export product can consider is participating in the global value chain. The approach to international division of labor according to the global value chain will help businesses better understand their position in the world market, so that they can proactively choose the appropriate stage of participation to achieve their goals. higher profits. The global value chain approach draws on a broad view of the value chain and examines the ways in which companies and countries integrate globally and assess the determinants of global income distributions, Divide the total income of the value chain into bonuses for chain actors and understand how companies, regions and countries are linked to the global economy. Overall, this approach emphasizes the international division of labor and distribution of income to companies, regions and countries participating in global value chains.

Hubbard & ctg (2008) argued that the value chain of resources and capabilities will be the most useful when determining how a company's business processes should be invested in the resources and capabilities needed to produce them, or how these decisions can affect the current organizational structure of the company.

Huovinen (2008) summarized the studies related to business management competence from 1990 to 2002. Accordingly, there were 84 studies related to the firms' competitiveness. In term of geographical distribution, there are 43 publishers in the US and 26 publishers in the UK. From 2003 to 2013, there were over 32 studies (according to the author's collections) on this issue was published in the US magazines.

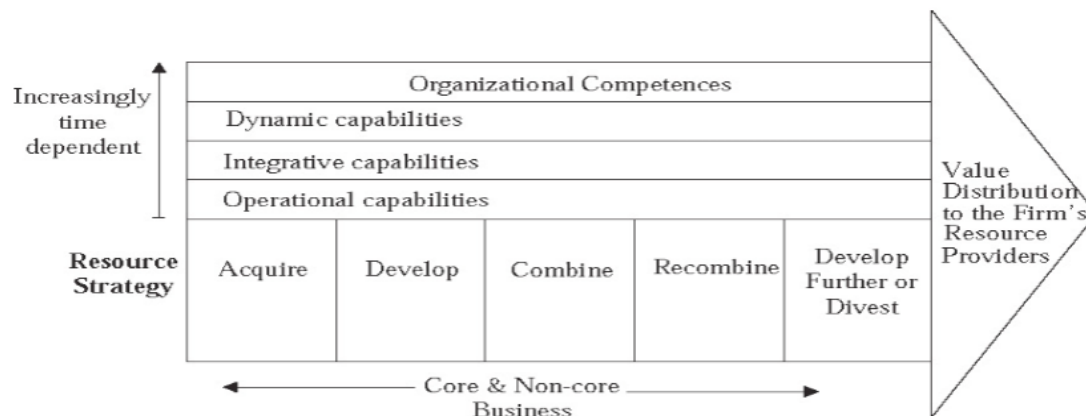


Figure 1: The resources and capabilities Investment Value Chain

Source: Hubbard. G & ctg. (2008)

2.5. Value chain and competitive advantage

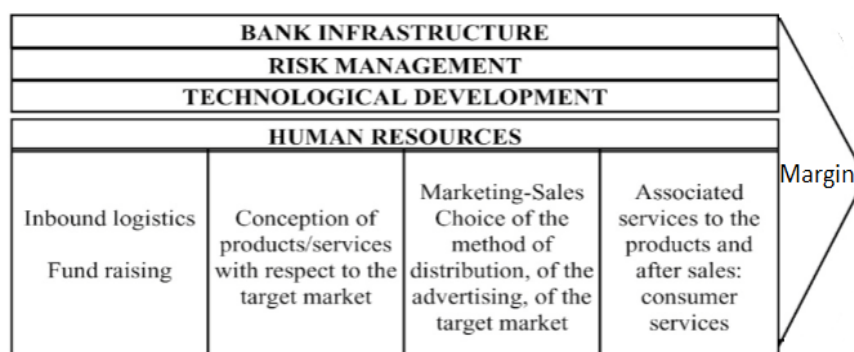
The most important goal in any business is to make profits, increase market share and contain costs related to operation. Porter (1985) observed that the best practice in profit maximization is integrated in value chain system; he further observed that for maximum profit a firm must be efficient and effective in understanding how value of its goods or services is created or lost.

Drucker (1954) observed that the organizations that do not change to meet dynamic market conditions through value addition to their customers' needs will struggle at best to keep them. He also argued that old firms such as General Motors, IBM, and others have found out that old ways of operating are no longer working and they are having difficulty in achieving levels of performance that made them great.

Ansoff (1990) presented a strategic success hypothesis and argued that firm's performance potential is optimized when the following conditions are met, first the aggressive of the firm's strategic behavior that matches the turbulence of its environment. Secondly, responsive of the firm's capability matches the aggressiveness of its strategy and lastly components of the firm's capability must support each other.

2.6. Relationship between value chain and competitiveness of commercial banks

The study by Eric Lamarque (2005) explored the origins of competitive strength in the value chain, applied to different commercial banks. The value chain of commercial banks corresponds to the descriptions of banking activities for private investors or small businesses (finance, investment, savings and services).



Fund raising: Raising financial capacity, increasing capital adequacy and efficiency in line with the growth and development process of joint stock commercial banks to ensure competitiveness, scalability and service development, modern technological innovation, etc. More importantly, the art of raising capital is to find the lowest cost of capital and use it for a long time so that banks have an opportunity to find effective investments.

Products and services for the target market: For the banking sector, the products and services are almost homogenous among commercial banks and under strict management of the State Bank of Vietnam. Therefore, the difference that can make the banks succeed is to identify the right customers as well as improve the quality of management personnel, improve the quality and efficiency of operations and Human Resources.

Marketing – Sales: Firstly, implement customer policies well. Secondly, strengthen the consultation and customer support. Thirdly, maintain customer satisfaction and enhance cooperation with customers. Fourthly, gather information about the macro environment and competitors regularly to be able to keep track changes.

Customer services: Commercial banks have to change their operations, diversify the products and focus on the development of services as follows: diversifying products and services and developing modern banking products and services, improving the quality of customer services, expanding branch network to facilitate customers and serving better.

3. METHODOLOGY AND RESEARCH RESULTS

Qualitative research by consulting with 20 people: 09 directors, deputy directors; The 11 heads and deputy heads of the accounting and credit department to provide the indicators constituting the factors affecting competitiveness are as follows:

Factor 1: Marketing capacity includes the following indicators: Regular contact with customers to find out their needs about products and service; Understand customer needs; There are many attractive promotions; There are many advertising programs in the mass media; There are many programs that work for the community; Collect information about customers; Regularly collect information about competitors; Clear understanding of competitors' strengths and weaknesses; Regularly collect information on the macro environment (laws, interest rates, economic fluctuations...); Quick response to changes in the macro environment; Establish good relationship with customers; Establish good relationship with local authorities.

Factor 2: Service organization capacity includes: Having diversified and abundant products; Fast transaction execution time; Simple procedures; Competitive product and service prices; Products that meet customer needs

Factor 3: Business orientation includes: Always launch new products before competitors; Always be consistent in a healthy competition strategy with competitors; Implement long-term staff training strategy to serve future development needs; Like to participate in big business projects, risky but high profit

Factor 4: Brand competence includes: The bank has a high reputation and is reliable; Gain the trust of customers; Well-known brand Meet the level of customer satisfaction; Respond quickly to customer changes

Factor 5: Technology capacity includes: Products and services applying advanced technology; Products and services with high security; There are many modern banking products, many utilities: Internet banking, mobile banking, phone banking...; Employees are interested in training and standardizing technology levels

Factor 6: Human resources include: Professional staff; Employees have good consulting ability for customers; Enthusiastic, considerate, welcoming staff with customers; High-level academic

Factor 7: Overall competitiveness includes: Having great market power, efficient business operations and long-term development potential; Being a strong competitor, always in a position to compete; There are many competitive advantages, Overall competitiveness is good

The questionnaire was sent to 400 customers. After collecting and checking there are 50 invalid votes. In the end 350 votes were completed, valid and used for analysis.

Assess the reliability of the scale by Cronbach's Alpha reliability coefficient

Table 1: Cronbach's Alpha coefficient of the variables

No	Ingredients	Cronbach's alpha	Minimum total-variable correlation coefficient
1	Marketing capacity	0,869	0,449
2	Service organization capacity	0,852	0,589
3	Business orientation	0,838	0,601
4	Brand competence	0,869	0,636
5	Technology capacity	0,923	0,810
6	Human resources	0,934	0,771
7	Overall competitiveness	0,861	0,652

Table 1 shows that the independent and dependent variables both have Cronbach's alpha greater than 0.6; variable-total correlation coefficient greater than 0.3; all variables were qualified and used in EFA

The results of the correlation test (table 2) show that all the independent variables in the matrix have Pearson coefficients ranging from 0.047 to 0.520 and all have sig < 0.05, the independent variables have a relationship with each other. . At the same time, the correlation coefficients of the independent and dependent variables are not too high, so there is little possibility of multicollinearity. This proves that independent variables reaching discriminant values are more likely to explain the dependent variable.

Table 2: Pearson correlation coefficient between concepts

		X ₁	X ₂	X ₃	X ₄	X ₅	X ₆	X ₇	X ₈	Y
X ₁	Pearson Correlation	1	,520**	,266**	,346**	,047	,271**	,138*	,336**	,393**
	Sig. (2-tailed)		,000	,000	,000	,464	,000	,032	,000	,000
X ₂	Pearson Correlation	,520**	1	,308**	,420**	,102	,280**	,192**	,257**	,365**
	Sig. (2-tailed)	,000		,000	,000	,113	,000	,003	,000	,000
X ₃	Pearson Correlation	,266**	,308**	1	,098	,399**	,288**	,132*	-,007	,143*
	Sig. (2-tailed)	,000	,000		,128	,000	,000	,040	,910	,026
X ₄	Pearson Correlation	,346**	,420**	,098	1	,066	,365**	,358**	,397**	,433**
	Sig. (2-tailed)	,000	,000	,128		,305	,000	,000	,000	,000
X ₅	Pearson Correlation	,047	,102	,399**	,066	1	,277**	,194**	,007	,209**
	Sig. (2-tailed)	,464	,113	,000	,305		,000	,002	,908	,001
X ₆	Pearson Correlation	,271**	,280**	,288**	,365**	,277**	1	,271**	,141*	,431**
	Sig. (2-tailed)	,000	,000	,000	,000	,000		,000	,027	,000
X ₇	Pearson Correlation	,138*	,192**	,132*	,358**	,194**	,271**	1	,283**	,345**
	Sig. (2-tailed)	,032	,003	,040	,000	,002	,000		,000	,000
X ₈	Pearson Correlation	,336**	,257**	-,007	,397**	,007	,141*	,283**	1	,346**
	Sig. (2-tailed)	,000	,000	,910	,000	,908	,027	,000		,000
Y	Pearson Correlation	,393**	,365**	,143*	,433**	,209**	,431**	,345**	,346**	1
	Sig. (2-tailed)	,000	,000	,026	,000	,001	,000	,000	,000	

The adjusted research model includes variables affecting the competitiveness of commercial banks, including: Ability to satisfy customers; Ability to approach customers; Marketing capacity; Service organization capacity; Business orientation; Brand competitiveness; Technological competitiveness; Human Resources.

Discovery factor analysis EFA

Factor analysis of independent variables using the method of extracting Principal Components coefficients with Varimax rotation. The results of KMO coefficient = 0.823, the significance level of Bartlett's test = 0, the factor loading coefficients are all greater than 0.5 and the distance is greater than 0.3; total variance extracted is 75.085%, all eigen values are greater than 1.8 extracted factors: Human resources, brand competitiveness, Technology capacity, Service organization capacity, Business orientation, Customer Satisfaction Capacity, Customer Access Capability, Marketing Capacity. Factor analysis of the dependent variable using the Principal Component method with Varimax rotation, the KMO coefficient is 0.603 and the Eigen value is 2.817. The total variance extracted is 70.433%, the weights of the observed variables are all from 0.8. Thus, the scale reflects the bank's competitiveness.

Build regression equation

Using the method of including variables at the same time for analysis, the regression results obtained are as follows:

Table 3: Coefficient of determining the fit of the model

Model	R	R-squared	R-squared corrected	Estimated standard error	Durbin-Watson
1	,612	,375	,351	,43121	2,081

The adjusted R2 coefficient is 0.351, showing that the model has a 35.1% fit. The Durbin-Watson coefficient ranges from 1 to 3, so the model is not autocorrelated. The results show that the beta coefficients are all non-zero, but in which, the ability to reach customers and marketing capacity has (sig greater than 0.05) should be excluded from the model.

Table 4: Regression coefficient of the equation

	Unnormalized regression coefficients		Normalized regression coefficient	T	Sig.	Multicollinear Statistics	
	B	Stand. error	Beta			B	Stand. error
Constant	,853	,225		3,792	,000		
Ability to satisfy customers	,126	,042	,183	2,863	,001	,063	1,537
Ability to approach customers	,075	,055	,096	1,505	,131	,631	1,582
Marketing capacity	-,059	,041	-,082	-1,372	,172	,723	1,382
Service organization capacity	,104	,046	,141	2,205	,025	,641	1,562
Business orientation	,097	,044	,122	2,064	,036	,787	1,267
Brand competitiveness	,183	,047	,234	3,971	,000	,752	1,333
Technological competitiveness	,111	,044	,215	2,387	,014	,801	1,244
Human Resources	,084	,048	,118	2,164	,037	,760	1,317

From the regression equation, it can be seen that brand competitiveness is the factor that has the strongest impact on a bank's competitiveness ($\beta=0,234$), followed by customer responsiveness ($\beta= 0.183$), service organization capacity ($\beta=0.141$), technological competitiveness ($\beta=0.215$), human resources ($\beta=0.118$), business orientation ($\beta=0,122$). want to improve competitiveness, it is necessary to pay attention to improve each factor. According to Table 4, histogram normalized residual frequency chart shows mean value of observations Mean = 0 and standard deviation = 0.991 (approx. approx. = 1), assuming a normally distributed residual is not violated. Regression results show that the acceptance value (Tolerance) of the independent variables is greater than 0.5; The magnification of variance (VIF) are all less than 2, no multicollinearity occurs. Besides, the normalized residual scatter plot shows that the residuals are randomly scattered around the line passing through zero, concluding that the assumption of linear relationship is not violated. The results of Spearman's Rho rank correlation test show that the correlation coefficient between

the absolute value of the residuals and the variables is not statistically significant ($\text{sig} < 0.05$), assuming the variance of the error is constant.

4. DISCUSSION AND CONCLUSION

Through the literature review on the integration of value chains in the determination of competitiveness of commercial banks in Vietnam, it is necessary to focus specifically on solutions as follows:

- *Strengthening financial capacity* in the direction of increasing chartered capital, ensuring capital adequacy in accordance with international standards and compliance with Vietnamese laws. Accordingly, commercial banks need to determine a reasonable proportion of net profits used annually to increase chartered capital or may undertake mergers and acquisitions (M&As) of small banks to form a bank has greater financial potential. Indeed, M&As is one of the important ways to enhance the competitiveness of Vietnamese local banks through increasing value and enhancing the effective risk management in facing of fierce competition among foreign financial groups when Vietnam is integrating deeper into the international economy and making commitments to open its market.

- *Building up a highly professional, responsible staff*, actively training, retraining and training regularly staff for new products and services. In particular, commercial banks should consider building and upgrading the E-Learning system to simplify the training.

- *Producing and developing new products* with newer and richer utilities. In fact, new product development is one of the determinants of the competitiveness of commercial banks because the banks ultimately compete with each other through their supply chains. In addition, banking products are not monopolistic and easy to copy, so the banks can only create strengths or differences by using additional services. In order to improve the competitiveness of products, commercial banks need to develop new product development strategies and make adequate investments in research and development of new products and services.

- *Moreover, improving the technology, expanding new types of products* on the basis of ensuring accuracy, timeliness, confidentiality and safety.

- *Reviewing the distribution system*, key and long-term investments with specific strategies to avoiding surplus resulting difficulties for synchronous implementation and modernization of technology, causing wastage in transactions, fixed costs and personnel.

- *Building, strengthening, and developing the bank's brand*. The brand of a bank confirms its position in the market. Its position is reflected in the market share of the products compared to the same type products, brand reputation for the customers, the perfection of services, measured by the market share of products and services. Accordingly, the bank should try to pursue the strategy of developing its own brand, specific to its products and strengths.

The paper recommended some specific solutions for Vietnamese commercial banks from the value chain perspective. The author depicts that strengthening financial capacity, building a high professional and responsible staff, producing and developing new products, improving technology and distribution system as well as developing bank's brand will increase efficient operations of the banks.

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DETERMINANTS OF COMMERCIAL BANK STABILITY IN VIETNAM

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Abstract: *The sound and healthy banking system plays an important role in proper functioning of the economy (Ivicic et al, 2008). This study aims to investigate the determinants of bank stability in Vietnam, which is very crucial to ensure that the country's banking system could be more effective and more resilient in facing financial crisis. This study examined the effect of both bank specific factors and macroeconomic conditions on financial stability of Vietnamese banking sector through insolvency bank risk measure (Zscore) by employing System Generalized Method of Moments (SYS-GMM). The article used a sample of 21 commercial banks spanning from 2007 to 2019. The regression results show that liquidity transformation gap, bank size and inflation have significantly negative influences on bank stability. Meanwhile, regulatory quality has significantly positive impact on financial stability. The findings have several significant contributions to policy makers to enhance financial stability of the Vietnamese banking industry.*

Keywords: *financial stability, institutional quality, GMM.*

1. INTRODUCTION

Identifying the individual economy as an important driving force in the economy, the Vietnamese government is interested in policy making for its development with high growth rates in terms of size, quality and share in gross domestic product (GDP). The joint-stock commercial bank system is one of the components of individual in the economy. They play intermediary role through channeling economic resources from surplus economic units to deficit economic units. Through this process, they facilitate saving and capital formation in the economy. That the banking system operates efficiently and profitably is a crucial condition for economic growth. However, in the global financial crisis of 2007 – 2008, banks were suffered severe distress. The severe financial crisis has emphasized the importance of an early identification of riskier banks, as this allows for solving the problems at a lower cost (Baselga-Pascual et al. 2015). Moreover, the Vietnamese banking industry is facing enormous challenges due to technology innovation, changes in customer preferences, bank risk reduction and new regulatory initiatives. To go through all these changes, banks need to be stable. The purpose of this paper is to empirically examine internal and external factors determinants of bank stability in Vietnam. This study used a sample of 21 commercial banks over the period 2007 – 2019. The insolvency risk (Z-Score) was used as a proxy for bank stability which is mentioned in many studies related to bank stability. The study used the GMM estimator technique described by Arellano and Bover (1995) to estimate the impact of bank specific and macroeconomic variables on Vietnamese bank stability. The findings provide useful insights for regulators, practitioners, policy makers and researchers, but what is even more important to general society. The main contribution is the analysis of bank stability which is the major concern of the regulators in their pursuit of economic development. For policy makers and

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bank management it will be useful to control those factors that can destabilize the banking system. And finally, to general society, to help them to choose the safe and stable banks.

There is a considerable gap in this area given the underlying foundation for this study. The first contribution focuses on finding the macroeconomic factors that previous studies have not been considered. Therefore, this study is a contextual extension in the art of science. The second contribution is analyzing the non-economic factor: quality of regulation - a proxy for institutional problems to investigate its possible influence on bank stability, since it's not outside the macroeconomic environment in which the banking sector operates.

2. LITERATURE REVIEW AND PREVIOUS RESEARCH STUDIES

2.1. Literature Review

Banking stability is defined as the absence of banking crises, achieved through the stability of all banks in the banking system or sector (Brunnermeier et al., 2009). In terms of interdependence, banking stability can be defined as the stability of banks linked to each other either directly through the interbank deposits market and participations in syndicated loans, or indirectly through lending to common sectors and proprietary trades (Segoviano and Goodhart, 2009). The existing literature on bank stability is quite large and provides a comprehensive examination of the effects of bank-specific and macroeconomic determinants on bank stability.

2.1.1. Specific banks factors

In general, banks with high capital ratios are considered safer than their counterparts. The conventional risk-return hypothesis would thus imply a negative relationship between the equity to assets ratio and bank stability. The failed banks had significantly lower capital ratio than those of non-failed banks. This is because banks with higher equity-to-assets ratios normally have a reduced need for external funding, which has again a positive effect on their stability. Moreover, the more capital the bank holds, the more stable it is, as it increases their ability to absorb losses. Given that we have effects pointing in opposite directions, the overall effect of this variable is indeterminate from a theoretical point of view. Bank capitalization is negatively related to bank risk-taking (Agoraki, Delis & Pasiouras, 2011). This finding seems to be intuitive since a higher equity capital because of stricter capital requirements, implies a more prudent bank behavior. Low bank capitalization leads to an increase in bank risk taking bases on the moral hazard theory. The bank managers increase their loan portfolio risk if banks are less capitalized (Berger and De Young, 1997). Jabra (2020) find a positive relationship between capital and stability, meaning that a well-capitalized banking sector is also a stable one. Therefore, banks with a higher capital are relatively more stable. Among others, the capital adequacy ratio was used as a measure of capital strength in this study.

Bank size plays a significant role in the determination of a bank soundness. As in most studies in banking, larger banks are more likely to have economies of scale advantages than smaller banks (Pasiouras & Kosmidou, 2007). Thus, a positive effect of size on bank stability is expected. Bhagat, Bolton & Lu (2015), Jabra (2020) found a positive relationship between bank size and bank risk taking. This means that an increase in bank size leads to an increase in bank risk and consequently

to a decrease in bank stability. On the other hand, Mesa, Sanchez, & Sobrino (2014) found a positive relationship between bank size and bank efficiency, such that increasing bank size leads to increasing efficiency and hence to increasing bank stability. However, Berger, Hanweck, and Humphrey (1987), Stiroh and Rumble (2006), Pasiouras and Kosmidou (2007) have shown that banks that have become extremely large exhibit a negative relationship between size and stability due to bureaucratic and other size-related reasons. Furthermore, banks in concentrated markets can become too-big-to-fail, which gives rise to a moral hazard problem on the part of bank managers (Mishkin, 1999), which may threaten banking system stability. Accordingly, the overall effect needs to be investigated empirically. This study used total assets of the bank as a proxy for bank size.

The liquidity level for every bank represents the capability of the banks to fulfil its respective obligation. Higher liquidity level indicates that the bank is not in a fragile situation. Liquidity risks may precede commercial banks financial stability as they imply increased funding risks in the financial system (Jahn and Kick, 2012). These funding risks have the potential to result in financial turmoil if the economy is hit by a negative, adverse shock. [15]. In addition, Dermine (1986) find that as liquidity risk is seen as a profit-lowering cost, a loan default increases this liquidity risk because of the lowered cash inflow and depreciations it triggers. During the crisis, banks moved from a risk of withdrawal of deposits, or even from bank runs, to a risk of drying up other funding sources, specifically the interbank market (Borio & Disyatat, 2010).

Another risk that affects bank stability is credit risk. This argument is based on the financial instability hypothesis, developed by Minsky (1977). The hypothesis provide an understanding and explanation of the characteristics of financial crisis. It argues that, in prosperous times, when corporate cash flow increases beyond what is required to pay off debt, a speculative euphoria develops, and soon thereafter debts exceed what borrowers can pay off from their incoming revenues, which in turn causes a financial crisis. On the other hand, due to the information asymmetries in the loan market, banks were exposed to credit risk (Heider and Hoerova, 2009). Therefore, a mutual reinforcement between credit and liquidity risks resulting in bank failures has been witnessed. He and Xiong (2012) argue that credit and liquidity risks simultaneously interact and influence the stability of banks have. In this study, liquidity transformation gap suggested by Deep and Schaefer (2004) was used as a liquidity risk measure. It is calculated as $(\text{Deposit} - \text{Liquid assets}) / \text{Total asset}$. This formula was constructed on the key liquidity transformation functions of banks. Banks hold illiquid assets, such as loans and illiquid securities, and finance themselves with highly liquid liabilities, such as demand deposits and other forms of short-term debt. This liquidity transformation is thought to play a critical role in the economy, allowing the financing of long-term illiquid investments, while satisfying the demand for liquid money-like assets by investors. Liquidity transformation can make banks inherently fragile as they do not always hold sufficient liquid assets to meet the immediate withdrawal demands by all depositors. This fragility can lead to runs, whereby depositors rush to withdraw their money from the bank only because they fear others will do the same and the bank will run out of resources. The larger the liquidity transformation gap, the lower the bank's liquidity and stability accordingly. In addition, the study uses loans loss provision to total loans as a proxy for credit risk.

The literature also identifies that bank efficiency is a determinant of bank performance, and bank stability. Berger and DeYoung (1997) argue that efficient banks are better at managing their credit risks because they can improve their stability by mitigating high non-performing loans. Among others, the study uses net interest margin or NIM to measure the effectiveness of the bank's investment decisions. Net interest margin denotes the difference between the interest income earned and the interest paid by a bank relative to its interest-earning assets like cash.

2.1.2. Macroeconomic Factors

In addition to the internal determinants of stability, represented generally by the characteristics of the bank, the macroeconomic environment in which banks operate can affect the stability of the bank. Macroeconomics is a branch of economic dealing with the performance, structure, behavior, and decision making of the whole economy. It is one of the two most general fields in economics which involves the total of economic activity dealing with the issues of growth, inflation, and institutional quality. Indeed, the fluctuation of economic trend could affect the banking sector performance. Higher GDP growth will ensure the banking sector development in harsh condition and from being fragile. Banking instability could be caused by unexpected fluctuation in economic cycles, and the effect of booms and recessions on banking system stability will differ across countries (Segoviano and Goodhart, 2009).

The effect of inflation on bank stability depends on whether wages and other operating expenses increase at a faster rate than the inflation. In the study of Bourke (1989), Molyneux and Thornton (1992), they found a positive relationship between inflation and stability. However, if inflation is not anticipated and banks do not adjust their interest rates correctly, there is a possibility that costs may increase faster than revenues and hence affect bank stability adversely.

Institutional quality can influence the stability of the banking system of a country (Demirguc-Kunt and Detragiache, 1997), and a country's governance quality can affect banking regulation and supervision intended to influence bank behavior (Beltratti and Stulz, 2012; Klomp and de Haan, 2014). The study used regulatory quality proposed by Kaufmann et al (2011) as a proxy for institutional quality, as it captures perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development. It ranges from -2.5 to 2.5, and higher values indicate higher regulatory effectiveness.

2.2. Previous Research Studies

A sizeable literature on identifying the indicators of bank stability has been developed in the past decade. In several studies the researchers have attempted to investigate the factors which can be restrained for a sustainable bank stability. Many empirical studies consider macroeconomic and bank specific factors as a precursor for bank stability.

Rupeika-Apoga et al. (2018) contributes to the empirical literature by identifying the determinants of stability of banks in the Latvian Banking Industry. This study covers both bank-specific (endogenous) factors and macroeconomic (exogenous) factors that impact the stability of banks. The data set used in this study is the annual financial statements of Latvian banks operated in the period 2003-2016. Using multivariate regression analysis techniques, they found evidence

that credit risk and efficiency ratio have a significant negative impact on banks' stability, whereas size of the bank, liquidity ratio, profitability, inflation, and GDP growth have significant positive impact on bank's stability.

Ozili (2018) investigates the determinants of banking stability in Africa. They present four measures of banking stability embedding banks' loan loss coverage ratio, insolvency risk, asset quality ratio, and level of financial development, thereby allowing analysis of banking stability determinants from four complementary perspectives: protection for downside credit losses, distress arising from insolvency risk, non-performing loans, and financial development. The findings indicate that banking efficiency, foreign bank presence, banking concentration, size of banking sector, government effectiveness, political stability, regulatory quality, investor protection, corruption control and unemployment levels are significant determinants of banking stability in Africa.

Jabra (2020) investigates the determinants of banking stability in European countries. This study used a sample of 280 commercial banks in 26 European banks from 2002 to 2019. The bank stability most common measure is the insolvency risk (Z-Score). The study used the GMM estimator technique to estimate the impact of bank specific and macroeconomic variables on European bank stability. The results show that the bank capitalization influences the banks' stability. Bank size has negative and significant effects on bank stability. The article showed that the macroeconomic variables, especially the real GDP growth rate and inflation rate, have a strong effect on the bank stability.

Lê Ngọc Quỳnh Anh, Nguyễn Quý Quốc, Lê Thị Phương Thanh (2020) use panel data from 19 Vietnamese banks in the period 2014–2018 to calculate dependent variables Zscore as a proxy for bank stability and examine internal determinants of banking industry. The results indicated that equity to total assets ratio, bank size, and total loans to total deposit ratio have significantly positive influences on bank stability. Meanwhile, net interest rate margin affects bank stability adversely. However, macroeconomics factors have not yet considered in the model.

In summary, from the above studies, it can be seen that the results from these studies have certain differences as they used different proxy for bank specific factors. The dependent variable, bank stability is measured by different criteria, such as CAR, NPL, CAMELS and Zscore. Our article differs from the above research in that we are primarily interested in macroeconomic including GDP growth rate, inflation and regulatory quality rather than in individual bank performance, which could shed comprehensive light on Vietnamese bank stability.

3. METHODOLOGY AND PROPOSED MODEL

To measure the financial stability of each bank, we need to calculate the Z-score. Z-score will be computed by using the following indicators: ROA (return on assets), Equity/Assets ratio and the standard deviation of ROA. Z-score is computed using formula (1):

$$Z - score = \frac{ROA + \frac{E}{A}}{\sigma(ROA)} \quad (1)$$

Where ROA represents the rate of return on assets of bank i at year t , E/A represents the ratio of equity capital to total assets for the bank i at year t ; σ (ROA) is the estimate of the standard deviation of the return on assets rate of bank i at year t . Boyd and Runkle (1993) argued that Z-score represents a measure of a bank's distance from insolvency, which is defined as a situation in which losses exceed equity. The higher the Z-score, the more stable it is the bank. Z-score is so well-known that it has widely been used by many scholars, such as Hesse and Cihak (2007), Jeon and Lim (2013), Diaconu and Oanea (2014), Fiordelisi and Mare (2014), Chiaramonte, Croci, & Poli (2015), Ozili (2018), Jabra (2020), among others. To find the internal and external factors for bank financial stability, we will use a dynamic linear model, as follows:

$$(ZSCORE)_{it} = \alpha_0 + \beta_0 (ZSCORE)_{(i,t-1)} + \beta_1 (NIM)_{(i,t)} + \beta_2 (GAP)_{(i,t)} + \beta_3 (PRO)_{(i,t)} + \beta_4 (CAR)_{(i,t)} + \beta_5 (SIZ)_{(i,t)} + \beta_6 (GDP)_t + \beta_7 (INF)_t + \beta_8 (REQ)_t + \varepsilon_{it} \quad (2)$$

Where represents the stability of bank i at time t , with $i = 1, \dots, N$, $t = 1, \dots, T$, α_0 is a constant term, β_0 is the bank persistence coefficients for stability. $\beta_1 - \beta_5$ denote the bank-specific explanatory variables; $\beta_6 - \beta_8$ denotes the macroeconomic explanatory and ε_{it} denotes the error terms. Consequently, we specified a dynamic model by including a lagged dependent variable within the regression, i.e., $Zscore_{it-1}$ is the one-period lagged stability.

The variable definitions and the data sources are described in Table 1.

Table1: Variable description and data sources

	Variable	Acronym	Measurement	Sources
Dependent variable	Bank stability	ZSCORE	Z-score = $(ROA + E/A)/\sigma(ROA)$	Computing from Stata 15.
	Net interest margin	NIM	Net Interest Income/Earning Assets	
Independent variable	Liquidity transformation gap	GAP	$(\text{Deposit} - \text{Liquid assets})/\text{Total assets}$	Bank financial statement
	Loan loss provision	PRO	Loan loss provision/Total loans	
	Capital adequacy ratio	CAR	Equity/ Risk weighted assets	
	Bank size	SIZ	The natural logarithm of total assets	
	GDP growth rate	GDP	The GDP growth rate	WB
	Inflation rate	INF	% Change of Consumer Price Index	WB
	Regulatory quality	REQ	World governance indicator, approximately ranging from -2,5 to 2,5	WDI, WB

Source: Author's estimation

The GMM technique was used to address the issues of endogeneity, heteroscedasticity, autocorrelation in the data and to monitor individual and time specific effects. The number of lags was determined by Arellano–Bond autocorrelation test and test for over identification (Hansen, 1982). It is worth noting that the system GMM estimator also controls for unobserved heterogeneity

NIM	0.018	1							
PRO	0.132	0.348	1						
GAP	-0.156	0.003	-0.034	1					
CAR	0.185	0.247	-0.111	0.083	1				
SIZ	-0.098	-0.044	0.394	-0.201	-0.454	1			
GDP	-0.070	-0.148	-0.041	0.125	-0.133	-0.179	1		
INF	0.162	0.092	-0.067	-0.359	0.100	-0.304	-0.374	1	
REQ	-0.101	-0.079	0.081	0.252	-0.152	0.357	0.771	-0.514	1

Source: Author's estimation

The results of Vietnamese bank stability using the GMM method are presented in Table 4.

Table 4: GMM System Estimation Results

Variable	Zscore
L.Zscore	0.709
	(0.683)
NIM	-4.816
	(4.426)
PRO	2.634
	(10.410)
GAP	-0.466***
	(0.179)
CAR	0.240
	(0.886)
SIZ	-18.074*
	(9.922)
GDP	-4.171
	(2.889)
INF	-0.453*
	(0.264)
REQ	66.237**
	(31.066)
AR (1) test	0.397
AR (2) test	0.558
Sargan test	0.692

Standard errors in parentheses, *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Source: Author's estimation

The results for the determinants of bank stability in Table 4 provide further insights that are worth discussing. From the results of the specification tests, it can be seen the value of AR (1) shows a significant result with p-value of 0.397. This indicates that H_0 is accepted, which means that there is no first order serial correlation. Whereas for AR (2), the same result is found in which the p-value of AR (2) is 0.558; suggesting that the null hypothesis fails to be rejected. Thus, there

is no second order serial correlation in the empirical model. Furthermore, the Hansen p-value test is found to be 0.692 (p value > 0.05), which shows that the null hypothesis could not be rejected. These results imply that there is no over identification of the model, and hence the instruments used in this model is valid. In the model, GAP, SIZ, INF and REQ variables have a statistically significant impact on Zscore, as follows:

GAP has significantly negative influences on financial stability. The bank with a larger liquidity transformation gap ratio means that the less liquid assets it holds, the lower the bank's liquidity and the less stable it is. The finding is in line with Ghenimi, Chaibi, and Omri (2017). They argue that liquidity risk has a negative and statistically significant impact on banking stability. This result suggests that banks which are liquid are more stable. Liquid assets enable banks to overcome any urgent problem due to unexpected money withdrawal which may affect the overall banking stability. In Vietnam, small banks have experienced liquidity difficulties, as a result of overheating credit growth but lack of strict control, causing bad debts and poor-quality assets. In addition, the Vietnamese banking sector mainly mobilized short-term while using such capital for longer-term assets for a long time. In recent years, the banking system has experienced a rapid increase in the number of branches and transaction offices while not interesting in improving risk management, especially liquidity risk. As a result of liquidity difficulty, financial stability has decreased, threatening sound and stability of the entire financial system.

SIZ has significantly negative influences on financial stability. The finding is in line with Stiroh and Rumble (2006), Pasiouras and Kosmidou (2007) in which the negative relationship between bank size and bank risk taking is found. This means that an increase in bank size leads to an increase in bank risk and consequently to a decrease bank stability. Over the past 13 years, the dimension of Vietnamese banking industry has increase sharply with average growth rate is 32% yearly. This suggest that large banks correlate with greater banking instability if excessive competition drives banks to take excessive risk that could materialize as losses during bad economic times, thereby destabilizing the banking system.

INF has significantly negative effect on financial stability. The results are consistent with the findings of Demirgüç-Kunt and Detragiache (2005), Chen et al. (2015). This means a higher inflation generates an increase of bank instability. In the period 2007 - 2019, money supply increased at an average rate of 21% per year, the highest growth rate in 2007 was up to 49% and the lowest growth rate in 2013 was 13%, causing persistent inflation. The highest inflation rate was in 2008 with rate of 23.12% and the lowest inflation was in 2015 with only 0.63%. The unexpected inflation creates abnormal fluctuations in the money value. The banks couldn't catch up with the interest rate changes do not adjust their interest rates correctly. There is a possibility that costs may increase faster than revenues and hence affect bank stability adversely, causing deterioration of the banking assets quality, driving the banking system less stable. However, this result contradicts with the findings of Olson and Zoubi (2011); and Ozili (2018). They found that a higher inflation generates an increase of bank stability.

Considering the external factors related to the macroeconomic environment in which the banks are operating, the results indicate that the institution quality has a positive and significant effect on bank stability in Vietnam. A government is capable to formulate and implement sound

policies and regulations that permit and promote private sector development, the banking system will be more stable. These findings are consistent with the empirical evidence of Ozili (2020). In the past time, the State Bank of Vietnam has implemented macroprudential policy specifying the credit limit, prudential ratio, restructuring the banking system and more strict supervision. These regulations have created a legal corridor for banks to operate, help to limit systemic risks and create a competitive environment among banks. This contributes to financial stability of Vietnamese banking sector.

5. CONCLUSION AND RECOMMENDATIONS

Different determinants of the bank stability have been investigated for Vietnamese banking sector. However, such studies haven't taken into the account the external factors while banking stability is affected by different macroeconomic environments and different institutional realities. Applying the GMM estimator technique described by for a sample of 21 commercial banks over the period 2007 to 2019, this article analyzed both the bank specific and macroeconomics determinants of bank stability. Zscore was used for measuring the bank stability and reached sound findings. The results show that the liquidity transformation gap, bank size and inflation influence the bank stability adversely. Meanwhile the regulatory quality positively influenced banks stability in Vietnam. The results highlight the importance of financial structure, liquidity risk control, inflation curb, and institutional quality for banking stability. Particularly, it is important for policy makers to consider the role of financial structure and institutional quality to enhance banking stability. The better institutions will create more incentives for saving and investment (Isaksson 2007). Therefore, the government and the State Bank of Vietnam could consider building up a healthy competitive environment among banks, stipulate transparent credit growth limits, closely monitor credit growth and quality, create an environment for banks to compete equally. This may help to increase sustainable financial stability in the Vietnamese banking system.

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SUSTAINABLE TOURISM DEVELOPMENT AFTER PANDEMIC

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Abstract: *Tourism is largely operated by the private sector in Vietnam. The tourism industry is oriented to develop into a spearhead economic sector that contributes greatly to the economic sector, promoting economic development in Vietnam. Tourism is considered as a form of sustainable tourism that not only helps diversify tourism products in Vietnam, but also helps preserve socio-cultural development and contribute to poverty reduction for all the localities in Vietnam. However, with the current complicated developments of the Covid-19 epidemic, it has had a great impact on the entire tourism industry in Vietnam. This paper analyzes the effects of the Covid-19 epidemic on Vietnam's tourism industry and propose solutions to limit and minimize the negative impact of Covid-19's epidemic on Vietnam's tourism industry, and at the same time offer a marketing direction to help the tourism industry develop, increase revenue and attract customers.*

Keywords: *Private economy sector, Covid 19, sustainable tourism, sustainable development, tourism marketing.*

1. INTRODUCTION

The Covid-19 pandemic has had a major impact on the tourism industry as countries have to close borders, flights are stopped and billions of people sit at home. It is estimated that the Asia-Pacific tourism industry has suffered the most negative impacts from Covid-19, with the number of visitors decreasing by nearly 33 million in the first three months of 2021. In Asia, the Covid-19 epidemic is still complicated. In particular, Indonesia has the highest number of SARS-CoV-2 infections in Southeast Asia; recurrences are on the rise in Korea and Singapore. It can be seen that the world in general and Vietnam in particular are in the most stressful time of the Covid-19 epidemic, which has had a great impact on human health as well as the entire private economic sector, especially the tourism industry.

Currently, Tourism is an important economic sector in Vietnam, accounting for nearly 10% of Vietnam's GDP in 2018 (Word Bank, 2019), having many impacts on overall socio-economic development. However, tourism is still considered to be one of the economic sectors most susceptible to disease (Chen et al., 2007). The Covid-19 epidemic which started seriously in early 2020, became the world's epidemic with the most serious severity in the past 100 years on a global scale. Tourism is to be one of the industries that suffer the most.

The impact of the Covid-19 epidemic on the tourism industry is enormous, far exceeding the epidemics that the world has experienced in recent decades. In the face of a serious epidemic

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affecting on a global scale, many countries around the world have come up with urgent solutions to save the economy such as lowering interest rates, giving big bailouts to support businesses, stimulating consumption ... The Vietnamese government has also quickly introduced solutions to specific relief policies and packages to help businesses, including businesses in the tourism industry. and existed during the Covid-19 epidemic. However, by August 2021, when the epidemic continues to complicatedly evolve globally, the impact of the disease on the tourism industry is increasingly large and long-term, it is necessary to take action, updated and in-depth analysis on the impact of the Covid-19 epidemic on Vietnam's tourism industry. The Covid-19 developmental and impact scenarios also need to be analyzed specifically in the tourism industry in order to have a systematic, synchronous, strategic approach to a long-term issue as long as the Covid-19 epidemic.

This report provides an overview of the effects of global epidemics on the world tourism industry, analyzing aspects of concern when assessing the impact of the epidemic on Vietnam's tourism industry today. From there, the article proposes marketing plans and approaches to attract tourists in the coming time.

2. THEORETICAL FRAMEWORK

2.1. Concept of sustainable tourism

The private sector employs most of the workforce in some countries. In private sector, activities are guided by the motive to earn money. A 2013 study by the International Finance Corporation (part of the World Bank Group) identified that 90 percent of jobs in developing countries are in the private sector in which human resources in the tourism industry are mainly in the private sector.

According to Piroogionic (1985), tourism is a form of leisure time activity involving the movement and temporary stay outside of a regular residence for rest, healing, physical development and spirituality, raising the level of cultural or sport awareness associated with the consumption of natural, economic and cultural values.

W. Hunziker and Kraff (1941) put forward the definition: Tourism is a collection of phenomena and relationships arising from the movement and stopping of people in the space must be their regular residence; moreover, they do not stay there permanently and do not have any income-generating activities at the destination.

Sustainable tourism (or responsible tourism) is the tourism that takes full account of its current and future economic, social and environmental impacts, addressing the needs of visitors, the industry, the environment and host communities. Tourism can involve primary transportation to the general location, local transportation, accommodations, entertainment, recreation, nourishment and shopping. It can be related to travel for leisure, business and visiting friends and relatives (Peeters, P. & Dubois, G., 2010). There is now broad consensus that tourism development should be sustainable (Peeters P. et al., 2004; Bramwell, B., & Lane, B. 1993). In fact, all forms of tourism have the potential to be sustainable if planned, developed and managed properly (Fennell, David A.; Cooper, Chris, 2020).

Global tourism accounts for about eight percent of global greenhouse gas emissions (much of which is from aviation) (Lenzen, Manfred, 2018) as well as other significant environmental and social impacts that are not always beneficial to local communities and their economies.

Tourist development organizations are promoting sustainable tourism practices in order to mitigate negative effects caused by the growing impact of tourism. The United Nations World Tourism Organization emphasized these practices by promoting tourism as part of the Sustainable Development Goals (SDGs), through programs like the International Year for Sustainable Tourism for Development in 2017, and programs like Tourism for SDGs focusing on how SDG 8, SDG 12 and SDG 14 implicate tourism in creating a sustainable economy. There is in fact a direct link between sustainable tourism and all 17 Sustainable Development Goals (SDGs).

2.2. Sustainable tourism development and impact of Covid-19

According to the World Tourism Organization. Sustainable development in tourism is development that can meet current needs without compromising future generations' ability to respond to the needs. This development pays attention to long-term social and economic benefits while ensuring the contribution to conservation and embellishment of resources, maintaining cultural integrity for the development of activities. tourism activities in the future; to protect the environment and contribute to improving the living standards of the local community.

Sustainable tourism development requires the development of high quality tourism products that are capable of attracting and meeting the increasing needs of tourists, but without harming the natural environment. and indigenous culture and must be responsible for conservation and development of natural resources - environment. In Agenda 21 on the tourism and travel industry towards sustainable environmental development by the World Tourism Organization and the World Council identified "Sustainable tourism products are products Built in accordance with the environment, community and cultures, so it will bring certain benefits rather than threats to tourism development".

In the opinion of Butler (1993), sustainable tourism development is the process of developing and maintaining in a certain space and time (where community, environment exists), furthermore, development will not reduce the ability to adapt to the environment. while being able to prevent negative effects on long term development.

According to Machado (2003), sustainable tourism development is the process of developing tourism products to meet the current needs of tourists, the tourism industry and the local community, without compromising their ability to meet the needs. future generation.

Technology is seen as a partial solution to the disruptive impacts of pandemics like COVID-19. Scholars argue that "surrogate tourism" will allow tourists to remain home while employing local guides at the destination to facilitate personalized, interactive, real-time tours (PIRTs). While these options will not take the place of conventional travel experience, there is a market for PIRTS especially for persons with disabilities and the elderly, and for the "sustainable citizen who wishes to minimize their impact on the planet" (Fennell, David A., 2021).

According to Nguyen Minh Tuan & Tong Thi Thu Hoa (2019). In order to develop sustainable tourism, the following requirements must be fulfilled at the same time: Conservation of ecosystems, ecosystems referring to the maintenance of life support systems (land, water, air, and trees), protecting diversity and stability of species and ecosystems. This International Standard requires tourism activities and infrastructure to be appropriate for environmental conditions. At the same

time, it is necessary to preserve cultural identity, protect and maintain the quality of life and unique cultural traditions such as religion and art.

Bui Thanh Huong and Nguyen Duc Hoa Cuong (2007) said that, the successful tourism development process should be based on three foundations: Sustainability, community participation, and scale of tourism development. Sustainability: In the current tourism context, sustainability needs to be considered both in terms of tourism (sustainable tourism) and on the side of the local community, built on three pillars: Economy Sustainable, sustainable environment, sustainable culture - society.

2.3. Impacts of COVID-19 pandemic on sustainable tourism development

Due to COVID-19, an unprecedented decrease of 65% took place in international tourist numbers in first half of 2020 as compared to 2019. Countries around the world closed their borders and introduced travel restrictions in response to the pandemic. The situation is expected to gradually improve in 2021 depending upon lifting of travel restrictions, availability of COVID-19 vaccine and return of traveler confidence.

Furthermore, the current Covid-19 pandemic has made many sustainability challenges of tourism clearer. Therefore sustainable tourism scholars call for a transformation of tourism (Ateljevic & Irena, 2020; Gössling, Stefan et al. 2021; Higgins-Desbiolles, Freya, 2021). They state that the Covid-19 pandemic has created a window of opportunity, in which we can shift towards more sustainable practices and rethink our systems. The system we have in place now, cannot be sustained in its current form. The constant aim for economic growth goes at the expense of Earth's ecosystems, wildlife and our own well-being (Cláudia Seabra et al., 2020). The gap between rich and poor is growing every year, and the pandemic has spurred this even further. Our current systems are often in place for the few, leaving the many behind. This is no different for the global and local tourism systems. Therefore, tourism scholars argue we should learn from the pandemic. COVID-19 provides striking lessons to the tourism industry, policy makers and tourism researchers about the effects of global change. The challenge is now to collectively learn from this global tragedy to accelerate the transformation of sustainable tourism (Gössling, Stefan, 2021; Sharma A, & Hassan A, 2020).

3. RESEARCH METHODOLOGY

To perform this topic, the author uses the method of collecting and synthesizing theory, data collecting information on online scientific database system. The keywords used in the general search process through the websites sciencedirect.com, emerald.com, scholar.google.com include: private economy, sustainable tourism, tourism development.

Each part of information has been analyzed, creating a new complete and profound theoretical system about the object. At the same time, combining with the method of classification and the theoretical systematization to arrange scientific documents in each aspect, each unit, each problem has the same intrinsic signs, the same development direction. Systematization is to arrange knowledge into a system on the basis of a theoretical model to make understanding of the object more fully. Then we use analytical methods to study the different documents and arguments by analyzing them into parts to learn deeply about the object.

4. RESEARCH RESULTS AND DISCUSSION

When disease outbreaks occur, the tourism industry is considered to be one of the sectors most affected (Chen et al, 2007; Zeng et al, 2005). In the past few decades, the tourism industry around the world has witnessed many crises caused by epidemics such as Hand, Foot and Mouth epidemic in England (2001), SARS in East Asia and Southeast Asia (2003), MERS epidemic in Middle East (2012), Ebola in Africa (2014) or Zika mosquito epidemic (2016) (Global Rescue & WTTC, 2019). Disease impacts on the tourism industry are almost immediate and long-term.

Outbreaks of epidemic diseases, especially those with global contagious risks, have rapidly declined, leading to a decline in revenue, profits, and job cuts ... in the tourism industry. The SARS epidemic in 2003 only occurred during the 3-month peak with the World Health Organization (WHO) travel restriction, but made tourism revenue in Hong Kong down 41%, China down 25 %, Singapore down 43%, Vietnam 15% decrease in 2003. The number of jobs in the tourism industry in the above countries has decreased by 27,000, 2.8 million, 17,500 and 62,000 respectively jobs (WTTC, 2003). The impact of SARS 2003 also lasted for 1-2 years in directly affected countries (Global Rescue & WTTC, 2019). The impact of the epidemic on both tourism supply and demand.

The impact on tourism demand occurs almost immediately when an outbreak occurs, increasing with the severity of the disease and lasting after the outbreak. The impact of the epidemic is both from the perspective of tourists concerned about their safety as well as the travel restriction policies of the sending and receiving countries (Cooper, 2005). The epidemic also negatively affects economic development in general, reduces people's income, and leads to reduced ability to spend on tourism.

The impact of epidemics varies with markets, depending on psychological characteristics, behavior, economic conditions, geographic location etc. Human responses to diseases also tend to direction changes in a direction more adapted to the actual conditions. This suggests that tourism destinations need to have a clearer and more efficient orientation for each segment of the market that is suitable for them during different epidemic times (Au et al, 2004; GlobalRescue & WTTC, 2019) Tourism supply can also be affected immediately when countries impose restrictions on or even suspend tourism services to deal with epidemics. Without revenue, tourism businesses must quickly implement measures such as labor cuts, marketing costs ... (Pine & McKercher, 2004; Global Rescue & WTTC, 2019). This leads to long-term impacts on businesses and tourism industry after the epidemic due to lack of labor, broken supply system, disruption of distribution system etc (Chen et al. 2007) affects the long-term development of the tourism industry.

In general, the impact of the epidemic on the tourism industry depends on the severity, extent and duration of the epidemic. The time it takes for the tourism industry to recover to normal with diseases that have a global impact is every year. Most recently, with the 2003 SARS epidemic, it took most affected countries up to 2 years to recover the tourism industry (Global Rescue & WTTC, 2019). Compared with the Covid-19 translation, the scope and extent of the impact of SARS 2003 is much smaller. SARS 2003 epidemic only occurred in a narrow range, mainly in Hong Kong, China, Taiwan, Vietnam and within a defined period of 3 months (Pine & McKercher, 2004). Meanwhile, the Covid-19 epidemic has spread globally with a completely new virus. Covid-19 virus is considered even more dangerous because of its ability to spread disease rapidly.

The characteristics of the Covid-19 epidemic not only limit the needs of tourists but also cause skepticism and even refusal to welcome tourists from local people. Tourism is a community economy. The impact of Covid-19 will be enormous on both the supply and demand of tourism, especially when it lasts.

4.1. Current state of tourism of the Covid-19 pandemic period in Vietnam

In fact, before the Covid epidemic, tourism was one of the most dynamic development sectors based on the promotion of natural tourism resources and competitive service prices. The tourism industry has contributed significantly to the growth of GDP and job creation. However, the tourism industry has been hit hard by the Covid 19 epidemic, according to statistics of the number of international visitors to Vietnam in the first 4 months of 2021 decrease of 98,2% compared to the same period last year. Accommodation establishments must close, tourism industry employees are unemployed. Operating capacity of accommodation facilities in this period only reached 5-10% over the same period in 2019. This makes the workforce in the tourism industry being employed, companies, hotels and restaurants, in turn, have to cut staff by 80%. For multinational companies it is even reduced by 4 out of 5 the number of employees. At least until the end of June 2021, more than 85% of human resources are unemployed. If the situation is more difficult, the unemployment situation will probably last longer. Some localities with a decrease in tourism revenue in the first quarter against the same period last year include: Thanh Hoa, a decrease of 49.9%; Ba Ria - Vung Tau down 48.3%; Quang Ninh decreased 47.1%; Khanh Hoa decreased by 43.9%; TP. Ho Chi Minh City decreased by 39.9%; Binh Dinh decreased by 24.4%; Da Nang down 19.5%; Hanoi decreased by 18.7%; Hai Phong down 14.9%.

4.2. Trends for tourism in post-Covid-19 period in Vietnam

According to the General Statistics Office, the number of international visitors to Vietnam in March decreased by 68% compared to the same period last year, bringing the total number of visitors in the first quarter to 3.7 million, down more than 18%. compared with the same period. The second quarter results are expected to be even worse when the entire tourism industry is almost paralyzed due to social isolation to prevent epidemics. Up to the present time, it is still not possible to determine the time when Vietnam's tourism industry is revived. However, one thing is for sure that the tourism industry will change meat. "The consequences of the epidemic on psychology and the economy will create a number of new trends in planning, selecting and organizing your travel trips such as: Safety first: Psychology of fear. Infection will remain, so the safety factor as well as information about the destination's medical qualifications and ability to support the health of the destination will be one of the key factors in determining a destination. Safety is the main advantage of Vietnamese tourism after Covid-19. Proven effectiveness in prevention and treatment for visitors to the safety of Vietnam Prioritize near destinations and trips Short-term. This trend is the result of three difficulties that exist in the current tourism industry:

- Paralyzed aviation, epidemic fear and tourist financial difficulties health, save budget, reduce risks and be more proactive in unexpected situations. Considering the proportion structure, domestic tourists account for about 82.5% of the total number of tourists in 2019; 94% in 2020. So The tendency of choosing to go to nearby locations will be a beneficial factor for Vietnam's tourism recovery.

- Price Sensitivity: As disease ravages the economy, the livelihoods of millions of people are also severely affected. In mid-April in 2020, the World Monetary Organization (IMF) reduced its GDP growth forecast for Vietnam this year to 2.7% from 7% in January 2020. The International Labor Organization (ILO) also warned that more than 22 million Vietnamese workers are working in sectors that face a great challenge to maintain the workforce during and after the epidemic. This is also the general situation of the world, when global economic growth is forecasted to be -3% for 2020, according to the IMF; and 195 million full-time jobs will disappear in the second quarter of 2020, according to the ILO.

This bleak outlook will make global residents tend to tighten their wallet and spend more economically. This will affect the tourism industry and people's ability to prioritize spending on tourism. Visitors will be more inclined to choose destinations with products. Package with preferential prices to both relieve psychological after translation but still ensure cost savings.

- The third challenge problem is that the tourism industry's human resources are disturbed. Most have left to do other jobs after 2 years of being impacted by the pandemic.

4.3. Coping with Covid-19 pandemic

The experience of previous epidemic crises shows how important countries and businesses respond to the recovery of the tourism industry (Global Rescue & WTTC, 2019; Au et al., 2004; Gu & Wall, 2006; Cooper, 2005). Facing the threats of epidemic diseases to the tourism industry, countries respond quite similarly to the steps from controlling the spread of the disease to gradually reviving the tourism industry, re-establishing trust among visitors International travel (Global Rescue & WTTC, 2019). However, a number of other tactics are also applied such as creating an image of a country that can control the epidemic during and after the epidemic to create confidence for tourists that Japan did during the 2003 SARS epidemic (Cooper, 2005).

Response solutions also need to be built on a national scale due to the inclusive nature of the tourism industry. In the face of the serious impact of the epidemic, businesses have taken immediate action. However in the longer term the solutions are not really clear. In the short term, the solutions focus on cutting costs. Solutions such as stopping providing some services, implementing reasonable personnel policies, cutting business costs in general, restructuring debts of businesses are implemented by more than 50% of businesses right now. In the next 3, 6, 12 months, the trend of businesses gradually shifting to business policy adjustments such as: business plan adjustment, market rearrangement, supply system restructuring and loans next 12 months.

5. TRENDS OF MARKETING COMMUNICATION DURING AND POST-COVID-19 FOR TOURISM INDUSTRY

The 19 Covid pandemic is devastating the economy. in the second quarter of 2021, the Covid-19 epidemic broke out, affecting many countries, including Vietnam. Our country's functional sectors and business community have actively joined hands, making efforts to control the spread of the epidemic. However, the Covid-19 epidemic has caused serious damage to the economy, and victim number 1 is none other than the tourism industry. In this situation, the tourism industry has adjusted the communication - marketing campaign in accordance with the post-Covid-19 trend:

Using Digital Marketing, which is one of the most successful business market approaches today, the growth of Digital marketing seems to be mirrored even more rapidly by the expansion of technical media digital in all aspects of everyday life - from email to social networks, mobile devices and tablets - the digital world dominates the real world.

Travel is one of the industries benefiting from digital marketing, like other industries. Digital marketing in the tourism industry has grown quite strongly in recent years. And the tools to help Digital marketing succeed are:

- Search engine marketing. A study by Google with Ipsos MediaCT shows that 65% of leisure travelers start searching for a place to travel online ... without having any intention in mind, nor know how to travel by any means. Therefore, online search plays a very important role in the decision-making process of users, so tourism businesses need to have a team of staff with SEO expertise to apply to their website.

- Social Media Marketing: Today in the online and hyper-connected world, brands cannot ignore social media because it is one aspect of a digital marketing strategy. Research shows that most people today use the web for social media and spend 30% of their time online. To tap into this vast international community, travelers who establish engagement and maintain a social media presence are helpful and valuable to followers and fans alike.

- Email marketing: Email marketing is one of the most successful factors in the field of Digital Marketing, not only satisfying high efficiency, but also low cost. save time, and measure easily.

- Parallel to that is the offline marketing types gradually shifted to online or advertising on TV. Signs Out-of-Home (OOH), events, roadshows, etc. are activities that will have to be adjusted or reduced. Digital channels are more focused, however, businesses will have to adjust their advertising budgets, especially in the travel, retail, entertainment services, ... while production is sluggish. At the same time Change the communication message.

With the current complicated disease situation, choosing the appropriate way of conveying the message of the tourism industry is one of the first things to determine be clear and straightforward. One of the main goals of campaign marketing is to build trust in the customer, or further to show business support for the current situation.

- Change approach to passengers. The change in consumer behavior has led to a difference in the "touch points" that travel industry can reach customers. The most typical example is that from everyday interests, customers have turned their interest to updating information about the disease. Adapting to this change requires listening more to customers, tracking customer journeys and understanding their current interests with social listening tools, thus finding ways to bring stories. "Touch" to customers with the most relevant message. And also from the basis of customer understanding, marketers can reconsider their strategies such as shifting focus to effective online channels, changing content to suit the circumstances, and adjusting advertising campaigns current reporting towards more cost optimization.

6. CONCLUSION AND RECOMMENDATIONS

6.1. Conclusion

The covid-19 pandemic has caused great unemployment for tourism industry workers. This is very sharp and serious. To revive the private sector after the pandemic, Vietnam has no choice but to recover and boost inbound tourism and outbound tourism.

Sustainable tourism can meet many goals in the same period such as: eradicate poverty, improve the quality of people's cultural and spiritual life, create jobs on the premises, increase cash circulation and for on-site export of local products. Sustainable tourism is an inevitable trend of the era that has important implications for many countries in the world, including Vietnam.

From the perspective of managing the development of the private sector through sustainable tourism development, it is necessary to pay attention to the following issues:

- Link tourism with sustainable development of local economy.

There has been the promotion of sustainable tourism practices surrounding the management of tourist locations by locals or the community. This form of tourism is based on the premise that the people living next to a resource are the ones best suited to protecting it. This means that the tourism activities and businesses are developed and operated by local community members, and certainly with their consent and support. Sustainable tourism typically involves the conservation of resources that are capitalized upon for tourism purposes. Locals run the businesses and are responsible for promoting the conservation messages to protect their environment.

- Forming local private economic community associated with tourism. Community-based sustainable tourism (CBST) associates the success of the sustainability of the ecotourism location to the management practices of the communities who are directly or indirectly dependent on the location for their livelihoods. A salient feature of CBST is that local knowledge is usually utilized alongside wide general frameworks of ecotourism business models. This allows the participation of locals at the management level and typically allows a more intimate understanding of the environment.

The use of local knowledge also means an easier entry level into a tourism industry for locals whose jobs or livelihoods are affected by the use of their environment as tourism locations. Environmentally sustainable development crucially depends on the presence of local support for a project. It has also been noted that in order for success projects must provide direct benefits for the local community.

- Establish and transfer economic power to local private economic communities. It has also been said that partnerships between governments and tourism agencies with smaller communities are not particularly effective because of the disparity in aims between the two groups, i.e. true sustainability versus mass tourism for maximum profit. In Honduras, such a divergence can be demonstrated where consultants from the World Bank and officials from the Institute of tourism wanted to set up a selection of 5-star hotels near various ecotourism destinations. But another operating approach in the region by USAID (United States Agency for International Development) and APROCOH (an ecotourism association) promotes community-based efforts which have

trained much more local Hondurans. Grassroot organizations were more successful in Honduras (Mader, R., 1996). Therefore, in order to create a sustainable private economic community, as the Vietnamese say: “buffalo slaughtering should not be used to kill chickens”, it is necessary to empower and strengthen local economic development organizations.

6.2. Recommendations

In the 1990s, international tourism was seen as an import potential growth sector for many countries, particularly in developing countries as many of the world’s most beautiful and ‘untouched’ places are located in developing countries. Prior to the 1960s studies tended to assume that the extension of the tourism industry to LEDCs (Less Economically Developed Country) was a good thing. In the 1970s this changed as academics started to take a much more negative view on tourism’s consequences, particularly criticizing the industry as an effective contributor towards development. International tourism is a volatile industry with visitors quick to abandon destinations that were formerly popular because of threats to health or security. Therefore, after 2 years of being affected by the Covid-19 epidemic, it is clear that domestic tourism needs to be developed sustainably; take domestic tourism as the foundation to develop the private economic sector.

Tourism is seen as a resilient industry and bounces back quickly after severe setbacks, like natural disasters, September 2011 attacks and COVID-19. Private sector tourism communities must pay more attention to the “lessons learned” from these failures in order to improve on mitigation measures that can be taken in advance.

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NEED BREAKING VIEWPOINTS PROMOTING THE PRIVATE ECONOMIC SUSTAINABLE DEVELOPMENT

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Abstract: *Since the private economic was recognized (1989), the views of the Party and the State have had many positive innovations, paving the way for the developing of the private economic. Those innovative views are reflected in specific guidelines and policies. This correct perception has made the private economic sector have significant transformations and resurgence, achieved many initial successes, and contributed greatly to the socio-economic development of the country. However, in these views, there are still certain limitations that lead to the development of this economic sector not breaking through commensurate with its potential and position. Therefore, in order to promote the private economic to develop strongly and sustainably in the coming time, it is necessary to make new breakthroughs in the viewpoints, perceptions, guidelines and policies of the entire political system, and at the same time to eliminate them; overcoming all false prejudices hindering the private economic. Through the method of economic analysis and statistics of secondary data on the development of the private economic in the period 2005 - 2019, the article assesses the positive and negative aspects of the development perspectives; from there, it is recommended to promote the breakthrough and feasible positive views, and at the same time to overcome the limitations in order to promote the sustainable development of the private economic in the coming time.*

Keywords: *private economic viewpoints, sustainable development*

1. INTRODUCTION

In the multi-component commodity economy in Vietnam, the private sector plays an increasingly important role in promoting growth and restructuring the economy towards industrialization and modernization, contributing to arousing the country's potential, creating many jobs for workers, contributing to promoting external economic development and expanding international economic relations, etc., enhancing Vietnam's position in the international arena. This is thanks to the correct and timely orientation of the Government with reasonable guidelines and policies since the private accounting was recognized until now. However, besides the right views that create conditions for the private sector to develop, there are still biases and misconceptions that hinder the development of this economic sector, making this economic sector undeveloped commensurate with its potential and the country's expectations. Therefore, it is necessary to continue to have new and bolder breakthrough views to bring sustainable development to the private sector in the coming time.

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2. RESULTS AND DISCUSSION

Researching this issue, the author wants to analyze new breakthroughs in the Party's viewpoint over the congresses, in order to continue to promote and promote those breakthroughs, and at the same time frankly acknowledge the limits and negatives in those views to overcome, aiming at a favorable and sustainable legal environment for the development of the private economic sector.

3 THEORETICAL BASIS OF THE PRIVATE ECONOMY

The concept of "private economy" has been officially used since the 6th Conference of the Central Committee of the 6th term (March 1989), including the individual economy, smallholders and private capital, this type of economy is considered a form of private economy.

The concept of private economy is understood at two levels as follows:

According to the general level: the private economy is an economic sector outside the state economy, including domestic and foreign enterprises, in which the private sector holds more than 50% of investment capital.

By narrow level: private economy includes individual economy, small owner and private capitalist economy.

In terms of ownership relations, the private economy is a type of private ownership, which is different from the people's ownership and collective ownership. The private economic sector is an economic sector associated with a type of private ownership, in which its subjects conduct production and business on their own and take responsibility for their own assets, direct interests of individuals, or groups of individuals operating in various economic forms, whether or not they hire labor. This is an economic sector that includes many different levels and economic forms.

The content of the private economy is very broad both in terms of ownership form and the industry in which the subjects participate in production and business. In the market economy, based on the forms of production and business organization and the role of these forms in creating products for society, the private sector is divided into types of business, individuals and private enterprises.

Individual economy is a type of household or individual economy, conducting production and business based on private ownership of the means of production and labor of that household or individual.

Private enterprise is an economic form organized in the form of an enterprise, a limited liability company, a joint stock company, a corporation, etc., which conducts production and business activities based on private ownership of materials, production and employment in private enterprises are formed and developed when the production force and division of labor have developed at a high level. The laws governing the operation of private enterprises are the laws of the market economy: the law of supply and demand, the law of value, the law of surplus value, the law of competition... With this form of organization, labor productivity and production efficiency are increased significantly. Therefore, private enterprises are the main drivers of economic growth and development in a market economy.

4. POINTS TO PROMOTE THE SUSTAINABLE DEVELOPMENT OF THE PRIVATE ECONOMY

During the country's development, awareness of the private economy has always been a hot issue, related to many socio-political issues, causing the Government to consider for a long time. Until the 6th National Congress of the Communist Party of Vietnam (December 1986) the private economy was mentioned. At the Sixth Conference of the Central Committee, term VI (March 1989), the private economy was officially recognized. This is considered the *first breakthrough* for Vietnam's private economy, and sets the stage for stronger breakthroughs in the future.

Since the VI to VIII Party Congress (1986 - 2000), the innovations in the Party's viewpoints and policies on the position and role of the private economy continued to be affirmed and developed as the economy continued to grow. The multi-sector commodity economy is recognized, the private economy is considered an independent economic sector with potential for development, and the private economy is recognized as having an equal position and role with other economic sectors.

To realize this policy, the State has issued many legal documents such as Ordinance on Economic Contracts (1989), Ordinance on Industrial Property (1989), Ordinance on Inheritance (1990), France Ordinance on Civil Contracts (1991), Ordinance on Housing (1991)... This initial system of legal documents has an important meaning in order to affirm the ownership and freedom of business of individuals and businesses legal. In other words, the construction and institutionalization of markets and market factors have at the same time created the basic foundation for the development of the private sector.

Thanks to the creation of a legal environment in business, the private sector has operated more and more conveniently, and proved its strength in the national economy with many remarkable achievements in terms of contribution to GDP, contributing to the state budget, creating jobs for the society, solving social security issues... These achievements have strongly influenced the next innovation in viewpoints and thinking of the Party on the role and potential of this economic sector.

During the congresses from the IX to the XI congress (2001 - 2011), the vision of the market economy became clearer with the concretization of the socio-economic development orientation according to the model of the market economy, socialist-oriented market economy. The Resolution of the 5th Plenum of the IX Central Committee (March 2002) determined: "The private economy is an important component of the national economy. The development of the private economy is a long-term strategic issue in the development of a socialist-oriented multi-sector economy, making an important contribution to the successful implementation of the central task of economic development and industrialization, modernize and improve the country's internal resources in international economic integration".

The X Congress (2006) demonstrated a breakthrough in theoretical awareness about the role of the private economy in the multi-sector economy in our country when it affirmed: "The private economy plays an important role, is one of the driving forces of the economy" and "Eliminate all discrimination on the basis of ownership". The XI Congress (2011) of the Party continued to determine the need to perfect mechanisms and policies to strongly develop the private economy. It can be seen that the view of the private economy as one of the driving forces of the economy through the X and XI Congresses is *the second breakthrough* in the Party's thinking on the position and role of the private economy in the socialist-oriented market economy in Vietnam.

During this time, the process of perfecting the market economy institution had many new development milestones, notably the promulgation of the Enterprise Law (2000) which sharply reduced the cost of market entry, aroused the spirit of entrepreneurs, promoting internal resources in the private sector; and the process of joining WTO has prompted Vietnam to develop and promulgate a series of laws as the foundation for the market economy such as the Competition Law (2004), the Civil Code (2005), the Enterprise Law (2005), Commercial Law (2005), the birth of the stock market... with standards closer to international practices on market economy.

By 2016, the XII Party Congress affirmed that “the private economy is an important driving force of the economy”, and advocated “removing all barriers and prejudices, creating all favorable conditions for the economy”. The private economy develops healthily and in the right direction. It can be said that the XII Party Congress is the *third breakthrough* in the Party’s view on the private economy, promoting the development of the private sector and the entire economy. The XII Party Congress not only affirmed the important role of the private economy, but also opened new opportunities for the private economy to develop stronger with the policy of non-discrimination among economic sectors, economic entities, entities of all economic sectors are equal, cooperate and compete according to the law.

In 2021, the XIII Party Congress affirmed that strongly developing the private economic sector in terms of quantity, quality and efficiency “really becomes an important driving force in economic development”. This is a great and consistent policy of the Party, while promoting the private economy to continue to develop; while promoting the role of this economic sector in socio-economic development, strengthening national security and defense in the new situation.

The views and policies of the Party on the private sector in recent years are very correct and in line with the development trend of the country. Indeed, practice has proved that truth. Since the private sector was recognized and developed, this economic sector has gradually affirmed its importance in the national economy by making significant contributions to the cause of socio-economic development of the country. Specifically, the number of enterprises in the private economic sector is increasing, contributing more than 40% of total social investment capital, contributing more than 40% to Vietnam’s GDP, contributing more than 20% to the state budget, creating create about 80% of jobs for the society, improve people’s living standards, promote international integration and cooperation...

Table 1: Number of enterprises registered for establishment in the period 2011 – 2019 (Unit: company)

Năm	2011	2012	2013	2014	2015	2016	2017	2018	2019
Number of new companies	61,792	69,874	76,955	74,842	94,754	110,100	128,859	131,275	138,139
Number of registered enterprises (accumulative)	576,876	646,750	723,705	798,547	893,301	1,003,401	1,132,260	1,263,481	1,401,620
Actual number of companies operating (accumulative)	324,691	346,777	373,213	402,326	442,485	477,808	561,064	628,760	677,617
Number of companies shutting down or dissolving (accumulative)	252,185	299,973	350,495	396,221	450,816	525,593	571,196	634,721	724,003

Source: Business Registration Administration (2020)

The number of newly registered enterprises increases steadily every year, which shows that the size of the private sector is still growing steadily. However, the number of enterprises that ceased to operate or were dissolved also accounted for about half of the total number of registered enterprises.

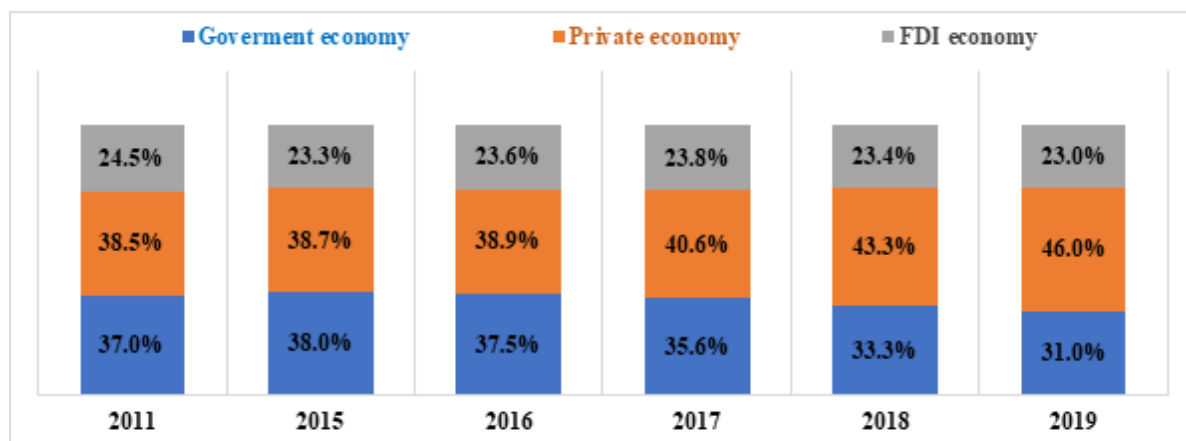


Figure 1: Capital structure by business sector in the period 2011-2019

Source: Statistical Yearbook

In the period 2011-2019, the private sector contributed significantly to the total investment capital of the economy and always accounted for an overwhelming proportion of the state economy and the foreign-invested economy. This shows that the ability to open up capital in the population is very good and the internal strength of the private economic sector is very strong.

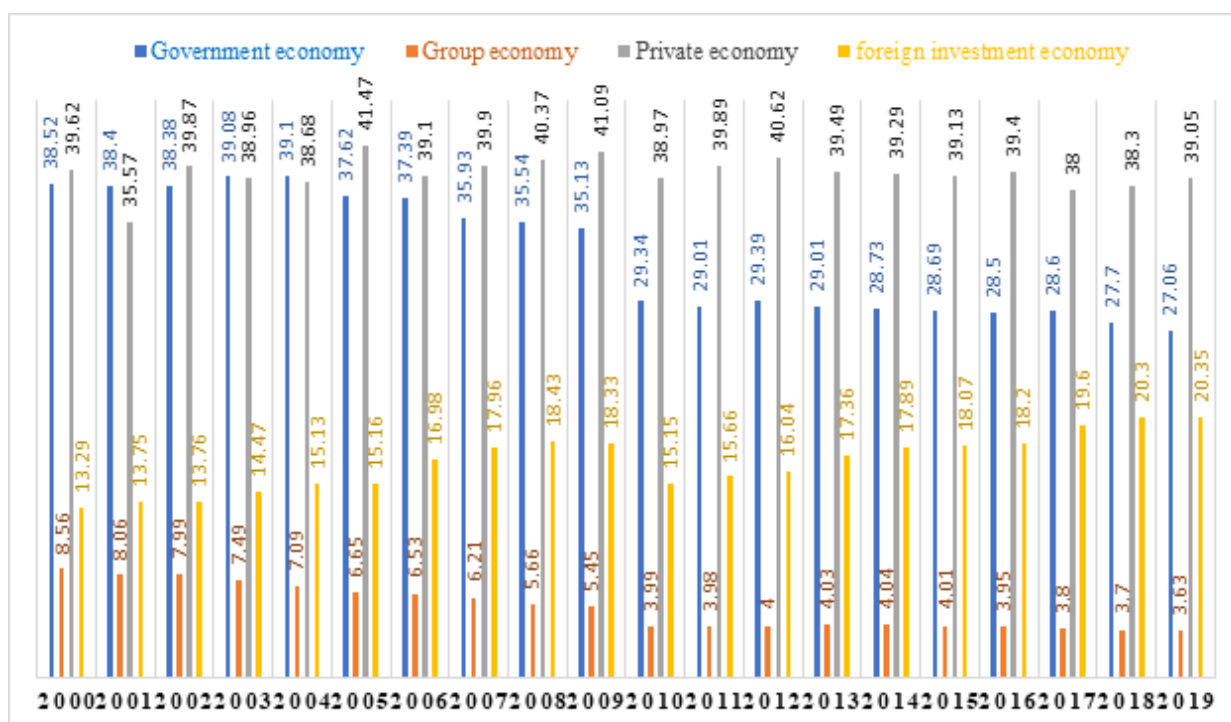


Figure 2: Contribution to GDP by economic type in the period 2000 -2019 (unit: %)

Source: General Statistics Office data (2019)

In the period 2000-2019, the contribution to GDP from the non-state economic sector (including group and the collective economy) accounted for the largest proportion, about 43%, this proportion is maintained stably every year, showed a steady growth of the private economy, but there has not been a breakthrough commensurate with the breakthrough view of the Party stated in the recent congress, combined with the Covid-19 pandemic in 2020. Therefore, it is difficult to achieve the goal of the private sector contributing 55% of GDP by 2020 as the Party's orientation has set.

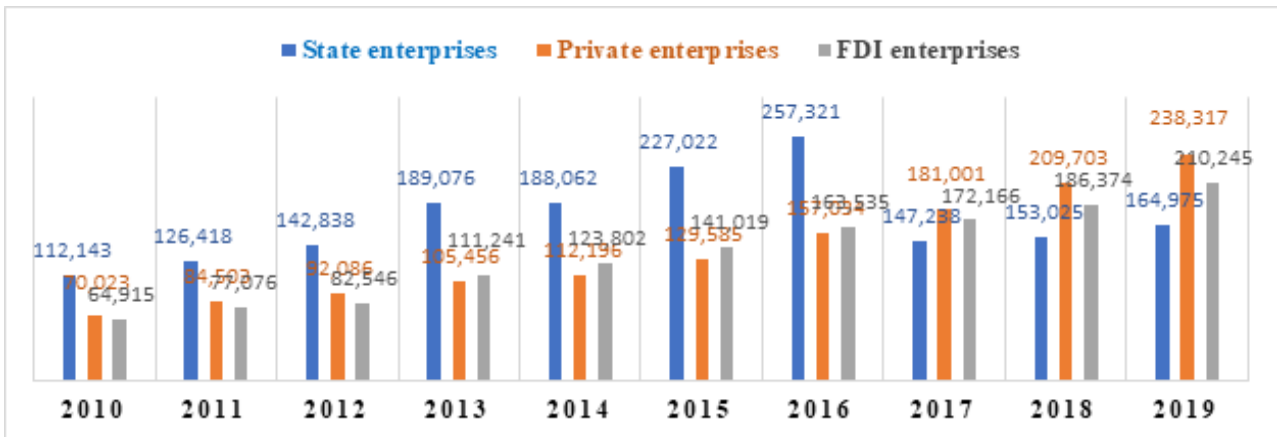


Figure 3: Contribution to the state budget by business sector (Unit: billion VND)

Source: General Statistics Office (2019), Ministry of Finance (2019)

Contribution of the private sector to the state budget has grown over time, by 2019, the private enterprises contributed more than state economy and FDI economy. The increase in the proportion of contributions to the state budget from the private sector will also improve the safety and sustainability of public finances in Vietnam when revenues from oil and gas and import and export taxes are decreasing.

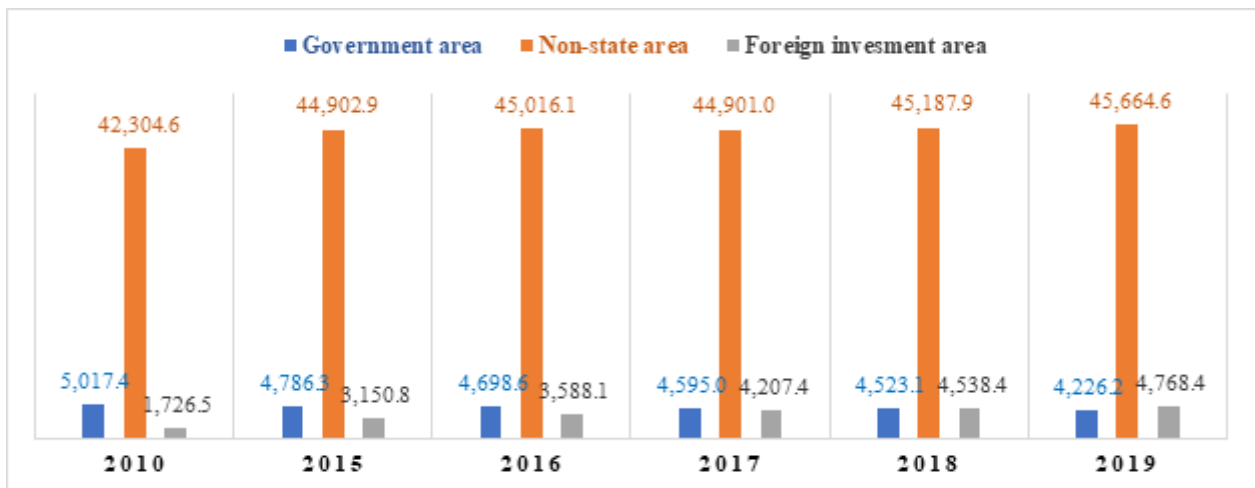


Figure 4: Employees aged 15 years and over are working annually by economic type (Unit: thousand people)

Source: General Statistics Office (2019)

The private economic sector creates a huge number of jobs for the society, contributes to hunger eradication and poverty reduction, and improves the lives of Vietnamese residents for a long time.

In summary, the Government's innovative efforts in undertakings and policies have created favorable conditions for strongly promoting the internal resources of the private sector, achieved certain achievements, and helped the private sector to increasingly show its role. driving force of the national economy. However, this economic sector still has limitations, which is one of the reasons for problems in the guidelines and policies of the State, which are:

The number of newly registered enterprises increased, but the number of enterprises actually operating was only half of the number of registered enterprises (accumulative). This shows that the start-up, investment and business environment has improved a lot, but there are still many limitations, cumbersome administrative procedures, administrative costs, intermediary costs, and unofficial costs are still low. There are many problems, including corporate corruption, which causes difficulties in the operation of private enterprises.

Although capital in the private sector accounts for an overwhelming proportion compared to the state economy and FDI economy, it is mainly capital from individual business households and small owners. This reflects the fragmented and small operation of the private economic sector, which has not yet been linked to do big business. This problem shows that the role of business associations is not effective; At the same time, there is no really strong leading enterprise to lead small businesses, showing that the ability to access capital of private enterprises is limited, perhaps stemming from discrimination between private enterprises and state-owned enterprises.

The contribution of the private sector to economic growth has not been commensurate with the potential and expectations, there has been no breakthrough in the past 20 years, while capital and number of employees account for an overwhelming proportion. The target of contributing about 50% of GDP by 2020 was not achieved. This shows that the cause is low labor productivity in the private economic sector and poor capital efficiency. To overcome these problems, it is necessary to join hands and support from the State together with enterprises in training high-quality human resources, strengthening science and technology in production activities in the private economic region.

5. COMMENTS OF THE PARTY ON THE PRIVATE ECONOMY

5.1. Positive side, breakthrough in the views of the Party

Thus, from the VIth Congress onwards, we can see that the Party's policy has allowed the development of a commodity economy with many components, diversified in forms of ownership and business types to develop the productive forces, diversification of economic components to create a concordance between production relations and the development level of the productive forces in Vietnam. This is an important premise to help liberate production capacity, develop socio-economic, and improve and enhance people's living standards.

Second, the position and role of the private sector in the multi-sector economy is recognized gradually over time. The Party's view on the private economy from the VIth Congress to the present has been consistent and continuously improved over the congresses, this is a solid legal foundation and an opportunity for the private economy to develop sustainably.

Third, with efforts to perfect institutions, policies, environment, and social psychology in the process of building a socialist-oriented market economy, the Party's position has been clearly demonstrated that: in order to the private economy sustainably develop, we must perfect the market economy institution. The Party has basically perfected the institution of a socialist-oriented market economy, in which emphasis is placed on perfecting the ownership institution, developing economic sectors, different types of enterprises and production and business organizations, perfecting institutions to ensure synchronization of market factors and synchronous development of all types of markets.

It is very remarkable that, Vietnam advocates to encourage and strongly develop the private economy in most economic sectors and fields, to support the development of start-ups, and to form private economic groups. multiple ownership. The private economy is encouraged to develop on an increasingly large scale, gradually forming strong private economic units that are competitive at home and abroad. The above policies of the Party are completely consistent with current reality and need to be fully understood by each level, each branch and each locality.

The Party has been deeply aware that creating all favorable conditions for the private sector to develop is also creating conditions for liberating the country's internal resources, so that the market economy can maximize its potential. its greatness. This thesis is a source of encouragement for the spirit of entrepreneurship, innovation and creativity, creating a strong vitality and breakthrough for our country in the new period.

Fourth, on the development orientation for the private economic sector, while affirming that the private economy is an economic component with a long-term important position in the socialist-oriented market economy, the Party and State also encourage private enterprises to transform into joint stock enterprises, large economic groups, sell shares to employees, enter into joint ventures, associate with each other, with the collective economy and the state economy, become into a state capitalist economy. For individual households and smallholders, the State creates conditions and supports to develop on a larger scale or joins to form voluntary cooperative groups, serving as satellites for businesses. This orientation is consistent with the trend of socialization of the productive forces and also shows the unity of the Party's viewpoints and awareness on the necessity of existence as well as the development trend of the private sector in the economy. market in Vietnam.

Fifth, the Party's viewpoints and guidelines on the private economy and encouraging the creation of conditions for the development of the private economy over the past 30 years of renovation have developed and improved on the consistent basis of attaching importance to existence. long term of the multi-sector economy during the transition to socialism.

Thanks to these open guidelines and policies, the private sector has achieved many remarkable achievements, contributing more than 40% to Vietnam's GDP, contributing more than 20% to the state budget, generating about 80 % of jobs for society, solving many social-security problems, opening up many international cooperation relations...

5.2. Problems

Besides the positive side, there are still some points that need to be clarified in terms of theory, directly related to the development of the private sector:

Firstly, the Party has affirmed that the private economy is an important driving force of the economy and that all economic sectors are equal, and also affirmed that the state economy has a leading role. So it is necessary to clarify what is the leading role of the state economy and what is the important driving role of the private economy. This will help to make economic governance and management more transparent, avoid confusion in policy implementation, and create equality among economic sectors in competition and in access to policies resources (land, public investment projects,...), against the expressions of "group interests", "friendly relations" that distort the market and lose motivation for businesses to do business true.

Second, it is necessary to clearly distinguish the point of view of private economic development from the Marxist view of surplus value exploitation, which is currently being taught in the subject Basic principles of Marxism-Leninism, section on economics. political economy at universities and colleges; This helps stabilize the entrepreneurial mindset of students.

Third, strengthen the role of industry associations in linkages between businesses, overcome the lack of links when competing with foreign capital, and respond to risks. Perfecting the mechanism to ensure equal and transparent public-private partnership; encourage and promote private investment in projects according to the targeted and guided planning of the State.

6. CONCLUSIONS AND POLICY TO PROMOTE SUSTAINABLE DEVELOPMENT OF THE PRIVATE ECONOMY

In order for the private economy to develop sustainably in the coming time, it is necessary to pay attention to the following key issues:

Firstly, doing well the ideological work, unifying the awareness of the role of the private economy in the cause of national construction and defense, properly understanding the Party's policy of encouraging the development of the private economy is a problem. consistent, long-term strategy in developing a socialist-oriented market economy. It is the correct application of the law of conformity of production relations with the level of productive forces in our country.

At the same time, it is necessary to agree that the contribution of the private economy, no matter how important it is to the economic and social development in our country today, is not a basis for "taking the economic the private sector is the center" or affirming that the private economy "plays the leading role of the national economy". Since then, clarifying the leading role of the state economy and the important driving force of the private sector, raising the spirit of vigilance to fight against conspiracies and tricks to take advantage of the Party's policy on economic development. private sector to promote the privatization of our country's economy, in order to deflect the socialist direction in the development of the country.

Secondly, in reality, there are still many prejudices about the private economy, especially at the grassroots level, so state management agencies need to urgently promulgate a legal framework, mechanisms and policies to specifically target the private sector. policy orientation to encourage private economic development.

Third, publicize and transparently implement infrastructure development master plans and plans, promote positive linkages between economic sectors, economic entities and economic spaces; thoroughly overcome the situation that large enterprises dominate and overwhelm small enterprises in accessing economic resources and opportunities.

Mechanisms and policies must be integrated with each other, and in general, the legal framework must form a "newer, more open" production and business order with more diversified and multi-dimensional relationships between the different sectors. different entities, respecting market principles, respecting the law and letting fair competition really become the main driving force between enterprises.

Fourthly, thoroughly implement administrative reform, enhance the operational efficiency of state agencies, ministries, branches and local authorities in the direction of creating favorable conditions for private economic development.

Focus on improving access to inputs for production and business through building an "electronic one-stop shop" mechanism to unify the focal point for receiving and processing dossiers; guide, settle administrative procedures, reduce time and cost of registering property ownership and use.

Fifth, it is necessary to improve the law on the clear ownership regime, even for real estate, land, etc., to avoid inefficient resource allocation. It is necessary to eliminate the domination of "group interests", in order to create equality for private enterprises, and at the same time, it is necessary to take specific measures to eliminate monopoly so that private enterprises can access goods and services. goods, public services and other resources and opportunities...

Sixth, promptly solve problems and recommendations of enterprises in the process of production and business; The State should promote the development of business associations and industry associations with the extensive participation of privately owned enterprises.

With practical attention, with breakthrough guidelines and policies of the Party, State, and the whole political system, together with the endogenous capacity, the joint effort of businessmen and the private economy, fully have sufficient basis for the sustainable development of the private economy, worthy of the role, position and potential of this economic sector.

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CHIEF EXECUTIVE OFFICERS AND FIRM PERFORMANCE: EMPIRICAL EVIDENCE IN VIETNAM

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Abstract: *The aim of this study is to investigate the impact of Chief Executive Officers' characteristics on firm performance. The data samples used in the study are collected from 383 companies (1,915 observations) listed on two stock exchanges HOSE and HNX in the period 2016 -2020. The research uses regression techniques based on fixed effects model to test the correlation between CEOs' characteristics and firm performance with the dependent variable measured by ROA. Research results have confirmed that CEO DUAL is positively correlated with firm performance. However, there is insufficient evidence to prove that CEO AGE, CEO EDU, CEO GEN impacts firm performance. In addition, the study also admits that firm size, financial leverage are related to performance at level of 1 percent.*

Keywords: *Chief Executive Officer, HOSE, HNX, firm performance, Viet Nam.*

1. INTRODUCTION

The success of a company has a great contribution from the management activities of senior managers, typically the chief executive officer (CEO). The CEO plays a very important role, holds the highest position in the management and executive team of the company, is the person with the highest responsibility for decisions on direction, strategic vision and supervision all activities of the unit. There are a number of theories to support the view that CEO profiles play a role in performance, but these studies in emerging markets are rather limited. For example, the decision-making process of executives is influenced by their perception of situations, and this may depend on personal characteristics such as personality, qualifications, gender (Hambrick and Mason, 1984; Hambrick, 2007). The Upper Echelon theory also predicts that the business performance of the entity is also influenced by the decisions of senior management, typically the chief executive officer (Hambrick et al., 2005). Because accounting standards allow professional judgment to be used in selecting suitable accounting policies, or when there is uncertainty, the accounting numbers are estimated to satisfy the prudent and It is precisely this that makes the CEO's characteristics related to financial decisions affect the profit figure on the financial statements. At the same time, according to management theory, CEOs are individuals who have the need, work motivation, exercise their responsibilities and power to receive more and more recognition from their colleagues. Accordingly, CEOs are managers, and the CEO's job is more convenient when they are empowered and have high self-determination ability (Donaldson & Davis, 1991), that is, when they jointly hold the role of chairman of the board of directors. Then they are willing to work more, which increases the value of the company (Yang & Zhao, 2014).

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Debates on the impact of CEO characteristics on performance are quite diverse, such as: CEO qualifications (Aier et al., 2005 ; Joh & Jung, 2016); CEO age (Cheng et al., 2010; Li & Srinivasan, 2011) share ownership ratio (Coles et al., 2012; Lilienfeld -Total & Ruenzi, 2014); gender (Sinhathep & Pholphirul, 2015; Ho et al., 2015). It can be seen that research on CEOs and corporate performance is quite diverse with different research perspectives. Meanwhile, in countries with emerging markets, the empirical study of the performance is rather limited and Vietnam is not an exception. Therefore, research on operational performance in Vietnam is a very necessary issue to fill the gap in the overall picture of the impact of CEO characteristics on performance and that is also the reason why the impact of CEO characteristics on performance is very important. The author conducted this article to assess whether in Vietnam market, CEO's characteristics have an impact on business performance with the impact similar to the results of previous studies.

Our paper is structured as follows. The next section is the literature review and section 3 is the research materials and methods. Section 4 reports the experimental findings and discussions. Finally, section 5 is the conclusions.

2. LITERATURE REVIEW AND HYPOTHESES

The economic and political reforms that have fueled Vietnam's rapid economic growth and development for decades have made Vietnam one of the countries with large investments in Southeast Asian countries (OECD, 2018). The Vietnamese government has shown its determination to move towards a revolution that focuses on certain issues, especially foreign investment, which has promoted the country as a leading destination for foreign investment. Therefore, the requirement of supervision in public companies, especially the supervision of the activities of the CEO has become important.

The Upper Echelon theory holds that CEOs based on their personal characteristics and specific skills can influence value creation, strategic choices, and financial reporting (Hambrick & Mason, 1984) . At the same time, the theory also assumes that the CEO's personality, experience, and values influence strategic choices by explaining the situations in which they have to make decisions (Hambrick, 2007). Furthermore, Hambrick and Mason (1984) also acknowledge that CEO characteristics can be used to predict their behavior and their role in corporate success. In the same opinion, Francis et al. (2008) point out that CEO characteristics are important because they affect the company's earnings. Agency theory argues that information asymmetry motivates managers to make the decisions necessary to improve their situation and maximize their usefulness. Jensen and Meckling (1976) defined a contract in which one or more persons authorize others to perform certain services on behalf of them to make decisions. Choe and Mishra (2014) argue that the more powerful the directors are, the higher the remuneration and other benefits are, and they can use the power given to influence or influence the operation, affects the decisions of others in the company (Friedman, 2014), and can also influence the decisions of the chief financial officer (Feng et al., 2011).

Hambrick and Mason (1984) argued that demographic characteristics such as experience, age, gender, and expertise influence senior managers' perceived values and backgrounds, making

learning more relevant. Different decisions lead to different business results in each organization. Therefore, the age of managers can be viewed as experience and knowledge of themselves (Farh et al., 1998). The advantage of older managers is that they have accumulated a lot of experience and understanding and can therefore use their experience to perform their jobs more effectively (Tsui et al., 2002).). Senior managers are considered mature, with management experience and promotion opportunities (Kang et al., 2007). According to the resource constraint theory, when managers have more experience, their knowledge of society as well as their experience will increase. They share the values of understanding social and human factors, the company's history, and more similar to the company's values (Murray, 1989) and the age of the manager that increases efficiency. company performance (Cheng et al., 2010). However, there is also a view that older CEOs, despite having a lot of management experience, tend to be conservative and authoritarian, so decisions can be potentially risky (Carlson and Karlson, 1970). Young executives tend to take risks with disruptive strategies (Guthrie & Olian, 2991) and they are trained with many skills (Bantel and Jackson, 1989), so young people do help companies perform better than older CEOs (Fahlenvrach, 2009; Li & Srinivasan, 2011). Thus, there are two different views on the role of CEO age in corporate performance, but in this study, the author agrees with the view that older CEOs are more effective in business performance higher should propose the hypothesis:

H₁: CEO age has a positive correlation with the firm performance

According to Fama and Jensen (1983), the power to manage and control an individual's decisions will hinder performance and reduce the role of the board in supervision; Firms will operate more effectively when the CEO and the chairman of the board should be two different individuals (Rechner & Dalton, 1991). In addition, according to Dunn (2004), when power is concentrated on a single individual, it is easy to lead to fraud in financial statements. Furthermore, firms with CEO concurrently holding the position of chairman will have high bankruptcy rates (Daily and Dalton, 1994; Finegold et al., 2007) and reduce firm performance (Coles et al., 2001).). According to Donaldson and Davis (1991), the CEO will perform the most favorable governance function when the corporate governance structure gives the CEO great authority and self-determination. Once the CEO is also the chairman of the board, that individual will be more willing to work for the company, they will achieve organizational goals rather than personal self-interest (Davis and Schoorman, 1997). Therefore, the CEO holding the position of Chairman of the Board of Directors will create value and performance for the company (Guillet et al., 2013, Peni, 2014, Yang and Zhao, 2014). However, Pham et al (2015) conducted a study in Vietnam, admitting that companies with part-time CEOs will have higher performance than companies without this structure, similar to Truong's research. et al (1998). On the basis of management theory and research (Truong et al., 1998; Pham et al., 2015), we propose the following hypothesis:

H₂: CEO duality has a positive relationship with firm performance.

Usually, CEOs with higher expertise can accurately estimate future profits and assets of the unit, understand the regulations, regimes as well as accepted accounting principles and apply them in the future. prepare financial statements (Plumlee and Yohn, 2010); affect the perfii piuormance of the entity (Hambrick & Mason, 1984). Previous studies examined whether firm performance and CEO reporting were influenced by individual characteristics such as age, expertise (Bamber

et al., 2010; Dyreng et al., 2010, Chyz, 2013; Call et al., 2017). Jalbert et al. (2002) acknowledged that CEO graduates have a positive relationship with performance. Similarly, Bertrand and Schoar (2003) have shown that, in companies where the CEO has a Master's degree in management will have higher profitability. In general, the quality or education level of managers is an important trait that contributes to increasing company performance (Cheng et al., 2010; Huang, 2013; Joh and Jung, 2016). However, there are studies that do not find any relationship between CEO's education level and firm performance (Palia, 2001; Bhagat et al., 2010). Accordingly, Bhagat et al (2010) said that education is one of the important qualities to meet the requirements of the CEO position, but it is not a good measure to represent the CEO's capacity. It can be seen that the education level of the CEO affects the company's performance, which is still controversial. However, according to Hambrick and Mason (1984), firm's output can be influenced by the competence of senior managers. Many studies have found that there exists a positive relationship between managers' competencies and firm performance (Dunphy et al., 1997; Ljungquist, 2007) that competence can be represented by educational attainment. (Cheng et al., 2010; Joh and Jung, 2016). So in this study, we hypothesize H_3 as follows:

H3: CEO with a high level of education has a positive correlation with firm performance

Many studies have acknowledged that female as CEOs bring more benefits than male. Research by Smith et al. (2006) suggests that women have many different experiences from work life and outside work, understand the market segment of the business more than men, so it increases the quality and breakthrough in decision making (Singh and Vinnicombe, 2004). As a result, the company's operational efficiency will increase directly as well as indirectly. Following the above point of view, Khan and Vieito (2013) find that female CEOs increase the profitability of the company and reduce the risk of the business than male CEOs. However, some other studies have admitted that companies run by women will be less effective (Inmyxai and Takahashi, 2010; Amran, 2011; Hsu et al., 2013). Although there are two opposing views, there are two opposing views. However, the theory of binding resources and the theory of stakeholders highly appreciate female CEOs. Accordingly, female CEOs bring more economic benefits to the company, build a more friendly working environment and more equitable remuneration (Tate and Yang, 2015) More importantly, female CEOs behave more ethically, not overconfident, and more prudent in financial reporting than male CEOs (Ho et al., 2015). Therefore, in this study, the fourth hypothesis is set up as follows:

H4: The presence of female CEOs positively affects firm performance.

3. RESEARCH METHODS

3.1. Research Data

The initial expected sample was collected from 706 companies listed on HOSE and HNX in the period 2016-2020. After excluding companies operating in banking, insurance, real estate, investment funds, securities companies, and companies with insufficient information on CEO characteristics, the final sample is used in this study included 383 listed companies from 2016 to 2020 with a total of 1.915 observations. The starting time for the research period was 2016 because in this year the VNX-Allshare index was officially launched – the first basic index connecting the

two stock exchanges HOSE and HNX. The final point in the study period was 2020 as this is the last financial year disclosed by the listed companies at the time of the study

3.2. Research Models

Using quantitative research method, based on table database, with the help of stata 16 software, this research was conducted to build regression model with on dependent variable (ROA – Return on Asset) and independent variables (CEO characteristics) and two control variables (company size – Size; financial leverage – Lev). Our model testing research hypothesis is formulated as follows:

$$ROA_{it} = \alpha_0 + \beta_j(\text{CEOVar}_j)_{it} + \beta_n(\text{Control Var}_n)_{it} + \epsilon_{it}$$

Where: ROA refers to the estimate firm performance.

CEOVar representative independent variables for CEO characteristics include: age (CEOAGE), dual (CEODUAL), education level (CEOEDU), gender (CEOGEN). Contron Var: control variables express special company characteristics include Financial Leverage (LEV), Total property (SIZE).

3.3. Measuring the dependent variable in the regression model

Financial performance of a firm was measured with four of the most common used measures of accounting profitability: ROA, ROE, ROS, and ROI (Combs et al., 2005). Hagel et al. (2010) compared ROA with ROE and ROS, and they suggested that ROE focuses on return to the shareholders of the company but ROE can lead to some problems, such as, businesses can resort to financial strategies and cover declining performance in market fundamentals in order to artificially preserve a healthy ROE for a while. Even if operating profitability of a firm is eroding, increasing debt leverage and stock buybacks financed by accumulated cash will help sustain the ROE of a business. Return on assets prevents the possible distortions such as those listed above generated by financial strategies. ROA is better financial performance indicator than return on sales, because ROA takes the resources used to sustain company operations directly into account. Instead of merely displaying a robust return on sales, it dictates whether the business is able to produce a sufficient return on these properties. In addition, Hagel et al. (2013) also stated that ROA is thus a more productive indicator to measure business performance than other ones. From this perspective, in this study, we use ROA to measure financial performance of listed firms.

Table 1: Variables Definitions and Measurements

Variables	Definitions and Measurements
Dependent variable	
ROA	Firm Performance, Quantitative variable. Measurement: Net Income/ Average Total Assets
Independent variables	
CEOAGE	The age of the CEO is a quantitative variable measuring the CEO's age.
CEOEDU	The education of the CEO is a dummy, equals one if the CEO has a undergraduate degree, zero otherwise.

CEOGEN The gender of the CEO is a dummy, equals one if the CEO is a female, zero otherwise.

CEODUAL equals one if the CEO has held of both the CEO and chairperson positions, zero otherwise.

Control Variables

SIZE Company Size, Companies' natural log of total assets

LEV Financial Size, measured as the ratio of the companies' total liabilities to the companies' total assets.

Empirical Results

The analysis will start by the descriptive statistics, followed by the correlation analysis and then the results of the regression analysis are met and discussed to see whether the hypotheses are validated or not.

Table 2: Descriptive statistics

Variable	Observation	Mean	Std. Dev.	Min	Max
ROA	1.915	0.0692556	0.06301	0.0000137	0.6004784
CEOEXP	1.915	0.1483029	0.35549	0	1
CEOGEN	1.915	0.0746736	0.26293	0	1
CEOAGE	1.915	50.50131	8.08467	25	77
CEODUAL	1.915	0.4801463	0.49974	0	1
SIZE	1.915	11.97122	0.70283	10.19989	14.62583
LEV	1.915	0.4997364	0.21974	0.0152593	0.9650876

Pearson correlation test is applied to test the association between the dependent and independent variable. This is given in table 3 that all of variables in the regression model have no intact correlation (correlation coefficient <0.8) and not multicollinear phenomenon (vif <10). This shows that the model has enough value to predict.

Table 3: Pearson Correlations and VIF Values

	ROA	CEOEXP	CEOGEN	CEOAGE	CEODUAL	SIZE	LEV	VIF
ROA	1							
CEOEXP	-0.088	1						1.07
CEOGEN	0.0762	0.2078	1					1.06
CEOAGE	0.2213	-0.1338	0.0165	1				1.04
CEODUAL	0.0094	-0.0144	0.0392	0.0104	1			1.01
SIZE	-0.093	-0.0256	0.0164	-0.0356	0.0742	1		1.19
LEV	-0.496	0.0536	-0.0856	-0.1392	0.0164	0.3838	1	1.21
Mean VIF								1.1

Besides, the database in the study is panel data, so the study tested the variance change and the phenomenon of autocorrelation. The study uses two tests, White and Woolridge, with the results, respectively, Prob>chi2 = 0.096 (more than 5%) and Prob>F = 0.754 (more than 5%) This means that the model has no variable variance and no autocorrelation.

In addition, for the purpose of determining which regression model is the most suitable to interpret the results, the study performs related tests with the results.

Our F test ($(\text{Prob}>F=0.0033)$), Breusch -Godfrey serial correlation LM test ($\text{Prob} > \text{chibar}2 = 0.1060$), indicates that fixed -effects panel least squares methods should be applied for the dataset employed in this research with result shown at table 4

Table 4- Estimating regression using POOLED OLS, FEM and REM

ROA	FEM		POOLED OLS		REM	
	Coef.	P>t	Coef.	P>t	Coef.	P>t
CEOEDU	0.000322	0.941	-0.00814	0.023**	-0.00234	0.539
CEOGEN	-0.00639	0.354	0.00906	0.06*	-0.00034	0.953
CEOAGE	0.000026	0.902	0.00115	0.000***	0.00044	0.013**
CEODUAL	0.0086	0.000***	0.0008	0.745	0.00694	0.000***
SIZE	0.02059	0.01**	0.0095	0.000***	0.01099	0.001***
LEV	-0.15158	0.000***	-0.1463	0.000***	-0.14909	0.000***
_cons	-0.1064	0.254	-0.02868	0.215	-0.01271	0.746

With: *, **, *** at 10%, 5% and 1% significance level; Observation: 1.915, $\text{Prob}>F = 0.000$

Table 4 indicate that there is enough evidence to admit that this result has shown a positive relationship between CEO duality and firm at the 1% significance level. The results of this study accept hypothesis H2. This means that the CEO holding the position of both the CEO and the Chairperson of the Board will increase corporate performance. The results of this study are also similar to those found by Guillet et al. (2013), Peni (2014), Yang and Zhao (2014) which agree that there are the positive relationship between CEO duality and the highest levels of firm performance. This result is contrary to the studies of Daily and Dalton (1994); Finegold et al., (2007); Coles et al. (2001) when they assert that firms with CEO concurrently holding the position of chairman will have high bankruptcy rates and reduce firm performance.

The result in table 4 also shown that there is not exists a positive relationship between CEO age, CEOGEN, CEOEDU and firm performance at the level of 10 percent. This means that all of hypotheses as H1, H2, H3 are rejected. Our finding indicates that CEOs with undergraduate degrees, age, gender do not affect business performance of enterprises. Therefore, the effect of the educational level of CEO, the female of the CEO and the age of the CEO to company performance can not be concluded.

The regression results in Table 4 also show a positive relationship between the control variable SIZE and firm performance at 1%. This means that the larger the SIZE is, the higher the firm performance is. At the same time, Table 4 also point out that there is negative relationship between LEV and firm performance at the level of 1 percent.

4. CONCLUSIONS

The study was conducted to measure the impact of CEO characteristics on firm performance through multivariable regression equation. The empirical evidence presented in this study provides further insights into how CEO characteristics impact firm performance. The important

characteristic of CEOs in this study is that CEO duality can influence performance. Accordingly, most people believe that CEOs not only reduce the role of the board in supervision in a company (Fama and Jensen, 1983) but also make company will have high bankruptcy rates (Daily and Dalton, 1994). Most people also believe that CEO duality is negatively related to performance (Coles et al., 2001). However, the empirical evidence we found in Vietnam suggests that senior CEOs duality are more likely to increase performance. This finding was also tested by performing different tests and all yielded the same conclusion: The CEO holding two position is significant and positive to performance in listed companies in Vietnam.

This study contributes to the literature on performance by affirming that the characteristics of CEOs like duality is important to performance. Furthermore, the study provides reliable evidence regarding the relationship between SIZE, LEV in interaction with the CEO duality to performance in an emerging market. The study found that the larger the listed companies, the higher the performance. In addition, the study also found that in Vietnam, because most CEOs are cautious with the use of debt, the impact of financial leverage on performance is a significant and negative at level of 1 percent.

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STRATEGIES FOR SUSTAINABLE DEVELOPMENT OF SMALL AND MEDIUM ENTERPRISES IN VIETNAM

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Abstract: *Owners of various small businesses foster the instigation and growth of their local societies. Nonetheless, several small businesses fail to thrive beyond the first five years. Through a multiple case study technique, this research aim to explore the strategies that SME owners used to sustain their businesses for longer than the first 5 years. In essence, there will be five main themes from the study including (1) education, technical experience, and skills; (2) business management skills; (3) research and development and marketing strategies; (4) provision of improved customer services and (5) assessing capital. The strategies that will be provided by the respondents often give guidance for the small business owners who have the quest to do business for long. Novel and existing businesses will benefit from this research through expanding knowledge from the explicated strategies; hence, bolstering job creation and growth of the local economies via small businesses.*

Keywords: *Strategies, SME, Sustainable development.*

1. INTRODUCTION

Nowadays along with a lot changed in the current century, not only in developed countries but also in developing countries, small and medium enterprises are considered as the backbone of every economy. Small and medium enterprises are the engine for economic growth and development in Vietnam. Especially, in developing countries in the Asia-Pacific region, SMEs play a central role in promoting economic dynamism, innovation and job creation (UN, 2012) and become an important source of export revenues in some developing countries such as East Asia, and OECD countries.

They offer the highest potential for job creation and employment growth, and sustainable wealth creation and economic growth. The Organization for Economic Cooperation and Development (OECD) indicated that SMEs around the world constitute over 95% of all businesses, and account for 60% to 70% of employment globally, and provide a significant share of new jobs in different countries. Less than 61.5% of SMEs survive beyond their first 3 years, while the survival rate of SMEs beyond the first 5 years remain below 42% (Gray & Saunders, 2016).

SMEs in developing countries face many constraints that affect the success and survival of SMEs including access to finance, availability of business skills, technical skills, managerial skills, and staff experience (Macheke & Smith, 2013), education (William, Shahid, & Martinez, 2016), and planning (Karadag, 2015). Thus, it is important to explore success and sustainability strategies that owners and managers of SMEs used to achieve success and survival in their businesses beyond

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the first 5 years. The central overarching research question for this study was, what strategies do owners of small food processing enterprises in Vietnam use to sustain their business beyond the first 5 years of operation?

2. CONCEPTUAL FRAMEWORK

2.1. Small and Medium Enterprises (SMEs).

Although the term SMEs is used interchangeably worldwide, there is no common definition of these terms. The geographical placement of SMEs as well as country specific legislation influences the numerous SME definitions (Leopoulos, 2006). So, the definition of SMEs varies in context across countries, industries, organizations, agencies and the academic community. Researchers have defined SMEs mostly related to number of employees and revenue.

SMEs are often defined numerically or specifically to cover companies with a workforce ranging from the lower limit between 5-10 workers and the upper limit 100-250 employees. The European Union standard definition for SMEs is any business with fewer than 250 employees and a turnover of up to EUR 50 million or a balance sheet of about EUR 43 million. In Vietnam, the Decree No. 39/2018/NĐ-CP, SMEs have considered as those enterprises between 10 and 200 employees and have total assets less than VND 100 billion or total annual revenue less than VND 300 billion. The SMEs are in various industries and a large number of the SMEs are in the trade, manufacturing, and services. According to Article 6 of the Government's Decree No. 39/2018/ND-CP, SME is classified into 3 groups:

Business sector	Company category					
	Micro		Small		Medium-sized	
	A and R (Bil. VND)	Number of employees (L)	A and R (Bil. VND)	Number of employees (L)	A and R (Bil. VND)	Number of employees (L)
I. Agriculture, forestry and fisheries	$A \leq 3$ or $R \leq 3$	$L \leq 10$	$A \leq 20$ or $R \leq 50$	$10 < L \leq 100$	$A \leq 100$ or $R \leq 200$	$100 < L \leq 200$
II. Industry and construction	$A \leq 3$ or $R \leq 3$	$L \leq 10$	$A \leq 20$ or $R \leq 50$	$10 < L \leq 100$	$A \leq 100$ or $R \leq 200$	$100 < L \leq 200$
III. Trade and services	$A \leq 3$ or $R \leq 10$	$L \leq 10$	$A \leq 50$ or $R \leq 100$	$10 < L \leq 50$	$A \leq 100$ or $R \leq 300$	$50 < L \leq 100$

2.2. Business success

A universal definition of business success has not yet been identified. Various scholars have attempted to define business success. Brockner, Higgins and Low (2004) defined entrepreneurial success as the extent to which the needs of the stakeholders are met and held that success can be sustainable or short-lived. They warn that sustainability is only achieved when the resources of the organization are not depleted in the quest to satisfy the needs of the stakeholders.

Watson, Hogarth-Scott and Wilson (1998) attributed business success to a complex set of interrelated factors that increase the probability of success and held that when those factors are aligned and implemented, business success will be achieved.

Jemison (1987) have said that business success is achieved when the complex relationship between strategy, processes and business performance is aligned and all work together to the benefit of stakeholders.

Scholars said that business success is the maintenance of business in the marketplace with economic and financial progress over an extended period (Silva de Souza, Freire Dos Santos, Cessar Lima, Tavares Da Cruz, & Rojas Lezana, 2016). The U.S. Small Business Administration (SBA, 2014) defined business success as the ability of an enterprise to sustain activities and performance beyond 5 years and longer.

Hope Wilson, a senior marketing specialist at Skidmore, Owings & Merrill LLP, said she views business success as something larger than herself and her company. "Success is running a profitable firm that conducts business with honesty and integrity, makes meaningful contributions to the communities it serves and nurtures high-quality, balanced lives for its employees," Wilson told Business News Daily. "As business owners, we must think outside our own doors. We must think about the potential impacts we have on those around us as well as future generations."

2.3. Small and medium business failures

Business failure is a reality and the reason for failure varies from situation to situation. Researchers denote several challenges that face SMEs restricting their growth and survival opportunities. According to Ivanov (2014), some of the factors causing business failure are a lack of managerial skills and failure that link to intangible resources such as trust and goodwill. Mariotti (2014) suggests that one of the most common reasons for business dissolution is poor management. When challenges occur, SME managers first seek solutions to the problem rather than first considering the necessary questions relating to the problem. In this sense, business managers concentrate on the issue of profitability and survival but fail to consider sustainability as a viable strategy in which to invest their resources.

Mariotti (2014) also argues that small businesses are especially prone to failure if they have deficiencies in the human capital whether in the form of management, experience or education. Moreover, most small businesses fail because they cannot achieve economies of scale at levels comparable with those of their competitors since the larger companies can afford to reduce product prices while still maintaining profitability (Thomason, Simendinger, and Kiernan, 2013). However, while reduced resources may be a causative factor of business failings, prolonged business survival is contingent upon many factors including regional, industrial, and national economic conditions. Gupta and Muita (2013) also identify growth, business size, cash-flows, risks, debts, interest rates, and the level of Gross National Product as elements of the survival of small businesses. Abdalkrim (2013) posits that business survival depends on the financial performance of the business. Good financial performance is achievable through creation of a loyal customer base through delivering services and products that customers value and those that meet a previously unmet consumer need. Besides, their survival depends on several issues in the outside business environment. Because

of the inadequate resources pertinent to financial and human capital, SMEs are susceptible to turbulent economic settings (Forte et al., 2013). In addition, small business owners should also consider their competition when making business decisions. Another major challenge affecting small businesses is the intense competition from larger companies that have a large market share and consumer base. Small businesses need to develop strategies to retain customers at the onset of business. In order for the business to survive in both calm and turbulent environments, managers must continue to review their strategies in light of incoming information and modify the strategy accordingly based on experience.

Zehir and Yavuz (2014) define crisis management as the survival response and success in strategic planning. This survival depends on the business culture, leadership, decision-making, and situation awareness. In order to remain competitive in a dynamic business environment, SMEs have to keep on revising their operational strategies to accommodate new advances and meet changing market needs.

Many small businesses fail during their early stages of startup. Small businesses face many challenges that hinder the survival and growth of their operations. These symptoms of business failure include high debt levels, low sales, and above average operating costs.

Another important aspect of business failure is the capability to learn from organizational letdown and prevent reoccurrence of such. However, Byrne, and Shepherd (2015) indicate that often the organizational leaders do not learn from business failures; thus, increasing the chances of future business failures. Byrne and Shepherd (2015) conclude on the root causes of business failure and how such situations unfold over time and the ways in which entrepreneurs can learn from these failures. The researchers propose three perspectives; using advanced tools for innovative applications, listening to feedback from product and service users, and encouraging interdisciplinary collaborations (Byrne & Shepherd, 2015). From the study, Byrne and Shepherd (2015) recommend that businesses use the feedback from their users to design products that cater the user's needs. Furthermore, through the incorporation of ICT in their operations, SMEs can implement redundant systems to improve reliability of their systems.

3. RESEARCH METHOD AND DESIGN

3.1. Research design

An exploratory multiple case study was used for this study because this design facilitated data collection from a small number of small business owners and managers about their experiences using open-ended interview questions, and provided an in-depth and meaningful understanding of successful strategies used to enhance growth and sustainability of small businesses.

Case study research designs are studies that concentrate on one or multiple cases comprehensively through collecting data about people through various data collection methods. Researchers utilizing this design seek to understand and be able to describe why and how a series of participant experiences happen the way they do. Kovacevich (2014) posits that researchers using a case study design should use multiple case studies in multiple sites and various methods of analyzing the gathered data. The case study technique is the most suitable for this research since

the aim is to investigate the sustainability practices that owners businesses have implemented successfully in the past.

3.2. Population and Sampling.

Elo et al. (2014) note that qualitative researches do not entail a common optimal sample size. This is because sample sizes depend on the research questions, study purpose, and the quality of data available. In this study, the research's aim is to explore the diversity in managerial experiences and survival strategies rather than seeking statistical significance. Qualitative researchers choose one or more case studies to explore a phenomenon in depth. Due to the detailed and the intensity of work that will be involved in conducting qualitative studies, smaller sample sizes are preferred to keep resource utilization at manageable levels. Here, the researcher will focus on five small business owners and managers within Ho Chi Minh City. The study participants have all been in business for more than five years.

Robinson (2014) contended that researcher should define the target population, the inclusion or exclusion criteria to ensure that cases included in the final study are those with the required attributes. The target population for this study included 5 small manufacturing enterprises located in Ho Chi Minh City. The small food manufacturing enterprises were existing small businesses with success and sustainability records for more than 5 years. The researcher contacted the Ho Chi Minh City Small and Medium Enterprise Support Center to obtain the business list, which showed small and medium enterprises within Ho Chi Minh City. From the master list, the researcher selected several enterprises randomly and make searched on the internet to determine the creation date of each business. At first, the researcher selected 10 businesses to contact for the purposes of this study but 5 out of these 10 enterprises had be chosen to participate in the study. From each enterprise included in the population, an owner or executive manager who has worked in the organization from startup and for at least 5 years was selected and included in the participants' list to take the interviews.

The sampling method used for participant selection stemmed from the conceptual framework and the research questions that this study was designed to address. In qualitative research, researchers have used nonprobability purposeful sampling method to select suitable samples which are an appropriate representation of the target population and also adequate for addressing the research questions and research objectives (Gentles et al., 2015).

Purposeful sampling strategies allowed the researcher to select individuals or small business owners in the food processing sector with the appropriate knowledge and experience on the phenomenon under study, who demonstrated their availability, willingness to participate, and their ability to communicate clearly in response to the interview questions (Palinkas et al., 2015). Matterud, Siersma, and Guassora (2016) suggested the use of the concept of information power as a guide to determine the sample size of qualitative research. Information power refers to the extent, relevancy, or level of depth of knowledge, experience, and information held by the sample or participant specific about the phenomenon under study.

There was no standard for what can be considered an appropriate sample size in a qualitative study; instead, the sample size was influenced by the research questions, sample design, and

purpose of the study (Elo et al., 2014). The focus of the sample participants was to enable the exploration of diversity in responses and not necessarily the statistical significance (Elsawah, Guillaume, Filatova, Rook, & Jakeman, 2015).

The logic and power in the use of purposeful sampling strategy for this study were that it facilitated the selection of information-rich cases which, in turn, yielded profound insights and in-depth understanding of the strategies that small businesses used to achieve sustainability and growth beyond the first 5 years (Patton, 2015). Any sampling decision adopted for use in the study came with a focus on attaining data richness and quality, enabling the attainment of data saturation and credibility. The sample size was dependent on the researcher's ability to reach data saturation (Bekhet & Zausniewshi, 2014).

3.3. Data Collection Instruments.

As per the nature of the study and the chosen approach, the researcher was the prime data collector, the data gathering will be done through field notes, and semi-structured interviews. On average, the interviews are expected to last about one hour and will take place on the location of the small business. To encourage more comprehensive and detailed answers, the interviews are composed entirely of open-ended semi-structured questions. "yes/no" questions will be avoided as they would result in an interrogation-like experience for the participant while not yielding much in the way of qualitative data.

The researcher also had a preliminary dialogue protocol with uncomplicated questions for every participant and will focus on areas pertinent to the research. The researcher used audiotapes to record interview responses from the participants. Phones and tablets acted as backup recording systems to guard against any failure or malfunction of audio recording systems. Note taking was an integral part of data recording system during the evidence collection process. The researcher presented the interview questions (Appendix) to the participants 2 hours before the actual interview started to clarify expectations and provide them ample time to familiarize with the research questions, improve the relationship with the interviewer, and improve response accuracy. The interviews will all be conducted within a 7-day timeframe and at similar times to ensure transparency in the interview process.

The researcher used methodological triangulation and member checking to ensure data accuracy, credibility, reliability, and validity of this research study. At the end of the interviews, the researcher took back the interview transcripts and the interpretations to participants for a member checking interview/meeting, to review for accuracy and confirmation. At the end of data collection process, all completed data were loaded into the QRS NVivo 12 for Mac software for coding and generation of themes for a better understanding of the research phenomenon.

4. RESULTS AND FINDINGS

Four owners and one manager participated in this research. To ensure anonymity, the researcher represented each participant and their business name with a letter and a number: R1, R2, R3, R4, R5 and E1, E2, E3, E4, and E5 respectively.

- R1 is a business owner for over 18 years. He graduated high school and did not have any business knowledge before starting his business. His company processes soya beans.

- R2 holds a master degree in mechanical engineering and had worked with Ho Chi Minh City's agricultural company for about 30 years before retiring. While he was still working with the agricultural company, he started his business and then retiring to actively manage his own business.

- R3 holds high school certificate and has been processing and preserving vegetables and fruits for distribution to local stores. She had no previous business experience.

- R4 hold a bachelor in business administration with over 6 years of experience in managing a very successful small food enterprise that produces food for babies.

- R5 is a reverend priest whose passion for agriculture business is to help support community growth through sponsorship of young people's education. R5 helped organized a cooperative of farmers and processed their farm yields of yams, cassava, and plantains into flours, and distributes in both local and international markets. R5 has over 8 years of food business experience but he grew up in a family of business owners.

The researcher used methodological triangulation to achieve data saturation, which is the point where no new information or themes emerge with further verification of the interview transcript, member checking, and documentary data (Fusch & Ness, 2015). Five main themes emerged denoting the strategies that SMEs may use to succeed and sustain their businesses during the first 5 years including: (1) Education, technical experience, and skills; (2) Business management skills; (3) Research and Development and Marketing Strategies; (4) provision of improved customer services; and (5) accessing capital.

Theme 1: Education, Technical Experience, and Skills.

Four out of the five respondents indicated that their educational background, experience, and training helped their businesses to succeed during the first 5 years.

R2 completed a Master in Mechanical Engineering and then join the agricultural sector as production director. He worked for over 20 years as production director and in several technical and management positions in corporation engaged in fruit production. During his years of working, he attended several trainings and gathered a multitude of production experiences and relationships that helped him in his business. R2 mostly recruited individuals from the agricultural corporation where he worked before so that his business was able to benefit from the technical experience acquired from year of hands-on training and experience. R4 indicated that his knowledge acquired from university with a Bachelor of business administration helped him to succeed. Though he lacked technical skills, his business has depended on employees who have those skills and he communicates openly to technical staff about the business dependence on them. R4 showed that his company gave preferences for individuals with some level of experience because they felt that those with technical experience were more effective in the production. R4 organized several in-house training for their employees which he found helped them to improve his reduced penalties. R5 used workers without experience because he did not have the funds to pay workers with technical skills, but he realized that as his staff learned on the job and also attending training organized by the SMEs support center, his business output and the quality of the products improved and waste also

reduced. All 5 respondents mentioned that they had attended seminars organized by Ho Chi Minh City Small and Medium Enterprises Promotion Center on product standardization, marketing, packaging, and management, and this improved their knowledge and helped their businesses to succeed.

This result is also consistent with Neneh's (2014) findings that concluded that increase education did increase not only the chances of survival of SMEs but also improves the entrepreneurial intentions in young university students. Training, especially tertiary education support the ability to start up a business and helps individuals to gain skills necessary to support business success (Hunady, Orviska, & Pizar, 2018). Education, therefore, contributes to business success to a greater extent than it encourages individuals to take up the responsibility to startup a small business or develop entrepreneurs.

Besides, R1 and R2 mentioned previous business experience as a factor that contributed to their business success. R1 said that he had previously managed other food company where produced other products, and from her experience, he decided to focus on the most successful outcome to formally start up her business. His experience helped him to understand how to manage his business resources, product packaging, and managing relationship with her customers which was very critical for her success. R2 also indicated that his over 30 years' experience in agricultural business helped him to understand the agricultural value chain from identifying the critical resource, risk associated with cultivation and production, how to meet stringent quality standards in the sector, and finally securing the market for first harvest. Also, R2 underscored the contributions of his managerial experience as a critical success factor in the planning process in agribusiness since he was only able to understand the processes with his knowledge and experience gathered over the years. This result consisted with the literature that previous managerial experience, including the employees' unique experiences, plays a vital role towards entrepreneurial success (Staniewski, 2016).

Technical skills were very critical for the success of all participants' businesses as revealed by their responses. All five respondents indicated that their technical abilities and that of their employees was a fundamental constituent of their success. R1 said after acquiring technical skills in processing soya beans, he had managed his cost by using his technical skills to do some of the work manually, and this was very helpful in ensuring that his product quality remains high while reducing cost. R4 reported that one key aspect that guaranteed the sustainability of his business is the technical knowledge of his workers which they acquired over time. R4's production team have been very stable, and he has worked so hard making sure these technically skilled workers feel ownership of his business because growth all depends on them.

This finding further validates the critical role played by staff experience and their technical skills on the success of the company (Macheke & Smith, 2013). Staff knowledge, skills, and competencies are considered as a foundation for a small business strategy development (Shafeey & Trott, 2014). Technical skills were therefore the most referenced theme which participants concluded that their acquisition was one of their strategies to achieve business success and sustainability during the first years of operations.

Theme 2: Business Management Skills.

All participants confirmed they needed some business management skills to sustain their business over the long term. As a new business with insufficient resources and facing larger competitors in the food industry, the entrepreneur needs to understand how to manage the limited resources to gain competitive advantage and make a significant profit. Entrepreneurs need to harness capabilities, such as business management knowledge and competences as a strategy to achieve success (Qureshi, Saeed, & Wasti, 2016) and gain competitive advantage. R2 mentioned that his education, MSc. in mechanical engineering together with his experience in crop production and managing oil mills helped him with the management knowledge which was very critical for his business success. In addition, R2's past job role at director level in a large agricultural company enabled him to gather substantial business management experience in areas of resources management, cash management, and will allow him to be able to identify and necessary resources which formed the hallmark of his success strategies and consistent with the conceptual framework. R4's education is a bachelor in business administration, which gave him an understanding of how to identify, manage resources for profit maximization, especially managing their human resources whom they considered to be very crucial to their success. The outcome is well consistent with the literature. Researchers found that business management skills was indicated to be essential for an SME to achieve success (Purves et al., 2016). This assertion is indicative of the need for management skills which SMEs require to improve on the success rate.

Theme 3: Research and Development and Marketing Strategies.

All the participants indicated that they used research, development and marketing to achieve success during the first 5 years. All 5 participants started their businesses as individuals and owner-managers in a sector where stringent government laws existed to ensure quality products to safeguard and protect consumers. All the participants cited research and development (R&D) as their dominant strategy for success especially because their new businesses were always in a quest for learning to improve on their products. Since the businesses are product based and subject to product approvals, R & D was very fundamental to developing products to meet the acceptable level of quality. R4 and R5 gave out samples of products to family and friends who tasted and provided feedback for improvements before the final products went to the market.

As the business gain customers and recognition, the manual method could not provide enough output to meet increasing customer's demands, thus requiring R& D for product innovation. Continuous product improvement and innovation is a compelling growth and success strategies for SMEs and consistent with past research results that suggested that innovation provided an increase in customers benefits, led to substantial cost reduction, created new business, and brought about superior organizational performance (Slater, Mohr, & Sengupta, 2013).

All the participants also cited marketing strategies as a sustainable strategy for the SMEs, principally due to the need for product recognition by the public and the SMEs depended on the sale of their initial production to be able to raise working capital to continue their business. Marketing is crucial for success in SMEs because it's the medium for an exchange of commodities for income or revenue, which is necessary to advance all other business processes and secure process continuation for success (Asah, Fatoki, & Rungani, 2015).

R2 indicated that he used his relationship as a formal employee as of the largest agricultural firm to negotiate the initial sale of his products. R2, R4, and R5 have active Facebook pages which they use to communicate their products offerings. R4 indicated that branding through social media was a very successful strategy for communication with his customers and securing new business while R5 suggested that he mouth of mouth and door to door marketing yielded better results for his company. This results further support the knowledge on the importance of marketing and entrepreneurial skills of an entrepreneur or business owner as a key determinant for business success and sustainability (Mutandwa, Teramwa, & Tubanambazi, 2015).

Theme 4: Customer Service.

According to R1, recognizing the needs of the customer is important in sustaining a business. In this case, business owners should stock their businesses according to the customer's expectations. R1 also adds that business owners should also be flexible according to the changes in customer's preference and tastes. She also acknowledges that she targets specific people but due to demographic changes, she changes her customer base. Flexibility in businesses important as it helps to identify unoccupied business opportunities (Baskerville & Wood-Harper, 2016). R1 also adds that good customer services involving a healthy relationship with customers, timely and quality services, and courtesy to customers increases the business sustainability.

According to R2, recognition of customers, spending habits makes her business successful. She argues that identifying the right customers is essential to the success of small businesses (Cespedes, Dougherty, & Skinner, 2013). It is, therefore, vital to identify the right customers, their spending habits, and focus on attracting new customers (Bettis, Gambardella, Helfat & Mitchell, 2015). Finally, the participant acknowledges that good customer services maintain old customers while attracting new ones.

R3 explains maintaining good customer relationship as important in enhancing survival of a business and small-scale business owners should understand their clients, their relationships, and their contribution to business growth (Cespedes, Dougherty, and Skinner III, 2013). He also confirms that good customer services attract and maintain more customers, thereby, increasing the volume of sales.

According to R4 and R5, delivery of the customer expectations contribute significantly to the business sustainability. This involves stocking the goods that the customers demand most, which enhances their satisfaction (Popa, Guillermin, & Dedeurwaerdere, 2015). R5 also acknowledges that proper maintenance of inventory enhances the availability of goods (Baskerville & Wood-Harper, 2016). Both R4 and R5 maintain that a good pace of inventory and satisfaction of customer needs contributes greatly to the performance of a business.

The study reveals that a customer is an important stakeholder of a business as expressed by the participants' need to create and enhance good customer relationships both through quality services, meeting their expectations, and spicing the communication with them. Also, these participants recognize that focusing on the services and goods they provide to the customers help to increase their competitive advantage against other businesses (Bettis et al. 2015). Also, the customers maintain their relationships with the business that provides quality goods, treats them right, and with timely delivery of goods or guaranteed availability of the products.

The study also establishes that development and maintenance of healthy relationships between the customers and the business is a big challenge. It, however, has many benefits to a business and a business owner should ensure that they lay down strategies to maintain good customer relationships.

Theme 5: Accessing capital.

The availability of capital for starting a business is the central factor. One characteristic of small and medium business is the availability of limited finances. The finances not only enable the starting of a business but also its growth and expansion. Small-scale businesses face challenges in accessing enough capital even from lenders; so, they only rely on getting back the profit. Gaining this capital is also a challenge when the business owner depends on the savings to manage the business. The study concludes that capital is essential to both start-up and growth of the small-scale businesses. According to R1, a relatively larger capital makes significant contributions to businesses. He confesses that his starting capital is his savings in many years. Similarly, it not easy for R2 to achieve the required capital; he confesses that his capital was from a lender. According to R2, the availability of enough capital to start and operate a business both in intermediate and long-term fosters its survival. R3 reports that the starting capital was from savings and the banks could not give him because the business had not established well. To get a significant amount of capital to start a business, R3 looks for other alternatives including to strategic purchase of goods and use of credit cards. Similarly, R4 explains that due to the inadequate source of capital and savings he did not have security to place in the application of loans. Besides, small businesses are not attractive to financial institutions as large businesses.

According to R5, the family complemented the amount his credit card provided for business start-up. The participant confirms that insufficient finances are a big challenge to both business start-up and growth. R5 concludes that banks and other institutions do not want to support small businesses because they consider them as risky investments and they impose high-interest rates thereby creating more challenges for the business to grow. For R6 explains getting his finances from family and friends. The participant establishes that there are other sources of business such as family members, credit cards, loans and getting back the profit. He, however, confirms that gaining capital is the biggest challenge facing small businesses.

5. CONCLUSION

According to the study, strategies are vital for the sustainability of any business and, therefore, small business owners should design and develop both short-term and long-term strategies. These strategies enable achievement of the business objectives and vision within the intended industry. The results of analysis of the multiple source data collected revealed 5 significant themes representing the strategies that the owners and managers of SMEs used to sustain and succeed in their business venture during the first 5 years including: (1) Education, Technical Experience, and Skills; (2) Business Management Skills; (3) Research and Development and Marketing Strategies; (4) Provision of improved customer services, and (5) Accessing capital. The SMEs's owners have tested these strategies which represent strategies that SMEs generally need to understand and adapt to enable them to sustain their businesses beyond the first 5 years. The most significant business strategy used to achieve success was Research and Development and Marketing Strategies. Research and development is very important for product-based small businesses because it supports

innovation through products development, quality improvement which enables a company to meet up with customers' requirements, as well as reduce cost, while creating new business to achieve superior performance. Marketing strategies mainly focused on customer relationship management, mouth to mouth marketing, and communication, often through social media.

Starting a small business or becoming an entrepreneur is an enjoyable experience which is often motivated by several reasons including financial growth, independence, preferences for work-life balance, and other motivational factors. However, the challenge is for owners and managers of SMEs to be able to sustain their businesses for their benefit and that of the community. The findings and the recommendations of this study may provide an important practical guide or roadmap on which potential entrepreneurs, small business owners, and managers can develop their success and sustainability strategies.

Before engaging into the entrepreneurial activity or starting up a small business, individuals need preparedness and an understanding of the success strategies which have been used to achieve success as revealed by the findings of this study. Startups may develop their successful business strategies using the resource-based view approach to strategic planning whereby owners and manager develop strategies using resources which they can assess and also which are rare, valuable, inimitable, non-substitutable, and immobile. Also, the startup may seek to compete in markets or areas in which they believe their competences or resources are better than those of their competitors to achieve sustainable competitive advantage and sustainability over the first 5 years. More specifically, small business owners, potential entrepreneurs, as well as managers of SMEs may adopt to enable them to build their capacity, attract resources, and build strategies that will help them overcome barriers to growth and improve assurance for success and survival in the long term. It's worth pointing out that most of these success strategies could be learned via continuous training on the various aspects. Owners and managers of SMEs may use the results of this study to formulate successful business strategies based on their unique resources that are valuable, rare, non-substitutable, and inimitable which will support long-term growth and sustainability of their business. Accordingly, the knowledge prepared by this study can be adopted by other businesses in Vietnam, research institutions, and academic institutions for further use and development. As this study reveals, the support for implementing these strategies can originate from different sources including family, financial institutions, and credit transactions.

The study identifies an area for potential knowledge if researched. The future research can, therefore, focus on investigating relatively larger demographic factors using larger population samples. The sample size in this study does not allow generalization of findings. Therefore, the information in this study is not characteristic of the global situation of the sustainability of the small-scale business. In addition, this study involves only five participants of small-scale business. The researcher, however, believes interviewing owners of larger businesses can have significant knowledge for the business owner that this study does not achieve due to limited sample size, time, and other resources forming the limitations. Finally, the study considers only the food processing industry but other industries can have a significant contribution to the business community. More importantly, the consideration of these factors in further research can form the base for comparison of findings in this study and those obtained in other studies where larger sample sizes or different

industries were priorities. Also, other regions or counties can be covered in other research since geographical differences may influence the findings significantly.

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APPENDIX:

INTERVIEW QUESTIONS

1. What strategies did you use to achieve success in your business during the first 5 years?
2. What strategies did you find worked best in identifying, managing, and maximizing your tangible and intangible resources to improve business success?
3. What strategies did you use to secure and manage startup capital for your business success?
4. What did you find worked best to attract, retain, and satisfy new customers for your business?
5. What role did strategic planning play in developing your initial business strategies for success during this startup period?
6. How did you overcome barriers that threatened your progress during the first 5 years?
7. How did outside professional advice, education, training, and experience contribute to your business performance?
8. What impact did tax management have on the initial success of your business?
9. What other successful strategies and experiences would you like to share?
10. What additional information would you like to share?

APPLICATION OF ARIMA MODEL FOR FORECASTING SUSTAINABLE GROWTH RATE OF LISTED PLASTIC BUSINESSES IN VIETNAM

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Abstract: *Plastic industry is a potential industry of Vietnam in the recent period, however, Vietnam's plastic industry still has barriers limiting its development such as dependence on imported raw materials, the green revolution in the plastic industry is taking place strongly, promoting the shift to bioplastic materials and products which are eco-friendly. In order to effectively exploit the potentials of Vietnam's plastic industry, this article uses the Box-Jenkins method to build an ARIMA model for forecasting the sustainable growth rate of Vietnamese plastic enterprises based on data of listed plastic companies in the period 2011 - 2020. The results show that among the experimental estimation models, ARIMA(1,1,1) is the most suitable. The author used the model to estimate the sustainable growth rate G in 2021.*

Keywords: *ARIMA, forecast, sustainable growth, plastic industry.*

1. INTRODUCTION

In 2020, overcoming the challenge of the Covid-19 pandemic, the revenue of Vietnam's plastic industry still maintained a growth momentum of 10.9% compared to 2019 with a total revenue of about 22.18 billion USD. Export turnover in 2020 reached 3.65 billion USD, but the increase of 6.3% over the same period was only half of 2019.

However, Vietnam's plastic industry still has barriers that limit the industry's development, that is, it depends on imported materials (currently only 10-15% of raw materials are self-sufficient in the country), the number of designs, product categories are still monotonous, there are not many value-added products. At the same time, the green revolution in the plastic industry is taking place strongly, promoting the shift to bioplastic materials and products which are eco-friendly. Sustainable development towards the harmony between business growth and responsibility to society and the environment still poses risks and challenges. For businesses when setting this goal, the challenges to overcome are not few.

In order to effectively exploit the potentials of Vietnam's plastic industry, the article aims to build a suitable ARIMA model as a basis for forecasting the sustainable growth rate of plastic enterprises in the coming time.

2. LITERATURE REVIEW AND PREVIOUS RESEARCH STUDIES

Financial forecast is the forecasting of financial indicators of an enterprise for a certain period in the future, which is an important contributing tool to the success of the business. There are many methods of financial forecasting, which are:

Financial forecast based on detailed business plan

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Based on cost norms and specific operation plans, enterprises make consumption estimates to in turn make cash estimates, income statement estimates and balance sheet estimates.

These estimates are usually made for a year and are detailed quarterly and monthly, in order to determine additional capital needs more accurately and specifically for each time of the year.

Financial forecast as a percentage of sales

This forecasting method is used for both inside and outside enterprises, focusing on directly forecasting financial statement indicators as a percentage of revenue instead of studying in detail each cost element as well as cost factors. specific business plan.

This financial forecasting method is made on the basis of the assumption that the criteria on the financial statements change by a certain percentage compared to the level of revenue achieved by the enterprise. Changes in revenue lead to changes in business costs and profits, thereby changing the owner's equity and necessary assets for business operations of the enterprise.

Forecasting according to econometric models

This forecasting method relies on linear, statistical models and ties economic variables together with statistically estimable equations, and then uses them as the basis for forecasting.

The econometric approach to forecasting is often based on reduced form equations:

$$y_{T+1} = y_{TK1} + Z_{T+1} K2 + U_{T+1}$$

Inside:

y_{T+1} : Is the indicator in the financial statements to forecast

y_{TK1} : Is the current value of the indicator y taking into account the estimation coefficient $K1$. This term represents the systematic dependence of the factors belonging to the enterprise itself on the past values of the indicator y (y called endogenous variable).

$Z_{T+1} K2$: Is the future value of factors in the business environment (exogenous variable Z_{T+1} and estimation coefficient $K2$). This term reflects the dependence of endogenous variables with invisible exogenous variables.

U_{T+1} : An additional factor that can be interpreted as an estimate of future values of the noise terms.

The econometric model provides a useful structure for considering various possible factors, such as the past values of the predictors, the past values of the predictors, the related variables and other factors.

Some scientists have used econometric models to forecast fluctuations in indicators such as: M. F. Hassan, M. A. Islam, M. F. Imam, and S. M. Sayem (2013) forecasted wholesale prices of raw rice in Bangladesh; Thu Ba Tran (2018) forecasts the central exchange rate USD/VND; Vuong Quoc Duy, Nguyen Van Vu An (2014) forecast the amount of FDI into Tra Vinh province.

There is no forecasting method that gives completely accurate forecast results. Therefore, when making forecasts, analysts must accept a certain level of forecast error. According to Perry (2001), Beaver (2003) these forecast results show a range of values and their probability distributions. Therefore, in forecasting future economic conditions, forecasters must decide which

forecasting method to choose and how to combine information from different forecasts.

3. METHODOLOGY AND PROPOSED MODEL

In the framework of the research, the author proposes to use the ARIMA model and the Box-jenkins method to forecast the sustainable growth rate coefficient G of listed plastic enterprises based on the past data series. George Box and Gwilym Jenkins (1976) studied the ARIMA (Autoregressive Integrated Moving Average) model. Building the ARIMA model as a basis for forecasting the average profitability of the plastic industry:

The p -order autocorrelation model (abbreviated as AR(p)) is a linearly dependent process of lagged values and random errors, which is explained as follows:

$$Y_t = \phi_1 Y_{t-1} + \phi_2 Y_{t-2} + \dots + \phi_p Y_{t-p} + \delta + \varepsilon_t \quad (1)$$

The q -order moving average model, abbreviated MA(q), is a process that is fully described by a weighted linear equation of the current random errors and its lagged values. The model is written as follows:

$$Y_t = \mu + \varepsilon_t - \theta_1 \varepsilon_{t-1} - \theta_2 \varepsilon_{t-2} - \dots - \theta_q \varepsilon_{t-q} \quad (2)$$

This means that the value of Y at time t depends not only on current information but also on past information. However, the most recent information is more meaningful than the previous information. Thus, the MA models provide the predictive value of Y_t on the basis of a linear combination of past error values, whereas the AR models predict Y_t as a linear function of the past error values. past value of self Y_t . The AR and MA cointegration model (ARMA) has the following form:

$$Y_t = \phi_1 Y_{t-1} + \dots + \phi_p Y_{t-p} + \delta + \varepsilon_t - \theta_1 \varepsilon_{t-1} - \dots - \theta_q \varepsilon_{t-q} \quad (3)$$

ARMA models can only be executed when the Y_t series is stationary. However, most of the time series of economic data and finances are all factors chains trend, ie the average value of Y_t between the periods can vary. In other words, the time series in economics and finance is often the chains do not stop. Therefore, to deduce stationary series, we must remove the trend factor in the original data series through the process of taking the difference. A string stops at differenced d , it is denoted as $I(d)$. Meanwhile, the ARIMA model is denoted as ARIMA (p, d, q).

The Box-Jenkins method consists of four iterative steps: (i) Experimental model identification, (ii) Estimation, (iii) Diagnostic testing and (iv) Forecasting.

Step 1: Model recognition ARIMA model recognition (p, d, q) is about finding the appropriate values of p, d and q . Where d is the order of difference of the investigated time series, p is the order of autoregression and q is the order of the moving average. The determination of p and q will depend on the graphs $SPAC = f(t)$ and $SAC = f(t)$, where SAC is the sample autocorrelation function (Sample Autocorrelation) and $SPAC$ is the partial autocorrelation function of the sample. Sample (Sample Partial Autocorrelation).

The choice of model AR(p) depends on the $SPAC$ graph if it has a high value at the lags 1, 2, ..., p and then suddenly decreases, and the SAC function is gradually decreasing. Similarly, the

MA(q) model is selected based on the SAC graph if it has a high value at the latency 1, 2,..., q and decreases sharply after q, and the SPAC function is decreasing.

Step 2: Estimate the parameters of the ARIMA model (p, d, q). The parameters of the ARIMA model will be estimated by the least squares method.

Step 3: Check the model diagnosis based on Schwarz criteria (BIC) and mean square error (RMSE). The smaller these indicators, the better the forecast model matches the actual value.

Step 4: Forecast. Based on the equation of the ARIMA model, determine the predictive value of the point and the confidence interval of the forecast.

In this study, the author used SPSS software to analyze secondary data. Secondary data was collected through financial statements of 14 listed companies in the plastics industry in the period 2011 - 2020 according to quarterly data ($14 \times 10 \times 40 = 5,600$ observations), then Microsoft Excel software was used. used to calculate the sustainable growth rate value G and finally forecast the sustainable growth rate G in 2021.

4. RESEARCH RESULTS

4.1. Information about listed plastic enterprises

Listed plastic enterprises are divided into two main sub-sectors: the production of packaging plastics and construction plastics based on the company's main products. Although most listed companies are quite large in scale, they do not represent all segments of Vietnam's plastic industry. Packaging plastic sub-sector: 14 out of the total listed companies belong to the packaging manufacturing sub-sector with very diverse products and technologies. Based on product, this sub-sector is divided into plastic construction packaging, food packaging, PET and flexible packaging. Some household and industrial plastic manufacturers are present in the plastic packaging sub-sector because packaging products have the largest proportion, while the proportion of industrial plastic products accounts for just over 20%. 14 listed companies in the plastic packaging sub-sector, including: AAA, RDP, SPP, PBP, PMP, DTT, TPC, TPP, NHP, BPC, ranking, VBC, BBS are the research subjects of the article.

Table 1: Listed plastic packaging enterprises

STT	Segment	Company's name	Code stock	Stock Exchange	Year of listing
first	<i>Soft packaging plastic</i>	An Phat Bioplastics., JSC	AAA	HOSE	2016
2		Rang Dong Holding Plastic JSC	RDP	HOSE	2009
3		Saigon Plastic Packaging JSC	SPP	HNX	2008
4		PetroVietnam Packaging JSC	PBP	HNX	2015
5		Dam Phu My Packaging Joint Stock Company	PMP	HNX	2015

6	<i>Food packaging plastic, PET</i>	Do Thanh Technology Corporation	DTT	HOSE	2007
7		Tan Dai Hung Plastic Joint Stock Company	TPC	HOSE	2007
8		Tan Phu Viet Nam Joint Stock Company	TPP	HNX	2008
9		NHP Production Import - Export JSC	NHP	HNX	2015
ten	<i>Construction plastic packaging</i>	Vicem Packaging Bim Son JSC	BPC	HNX	2009
11		Hai Phong Cement Packing JSC	Charts	HNX	2009
twelfth		Vinh Plastic & Bags JSC	VBC	HNX	2010
13		VICEM Packaging But Son JSC	BBS	HNX	2005
14		Da Nang Plastic Joint Stock Company	DPC	HNX	2009

4.2. Forecast results

* Testing for stationarity: The data series used in the ARIMA model is assumed to be stationary. Therefore, to forecast the indicators using the ARIMA model, we need to consider whether the series are stationary series or not.

Using SPSS software to check stationary series:

The results in Figure 1 show that the evolution of return on equity G of the plastic industry by year is not stable. Specifically, the average is trending down. Thus, it can be speculated that the series G of the plastic industry sector is non-stationary.

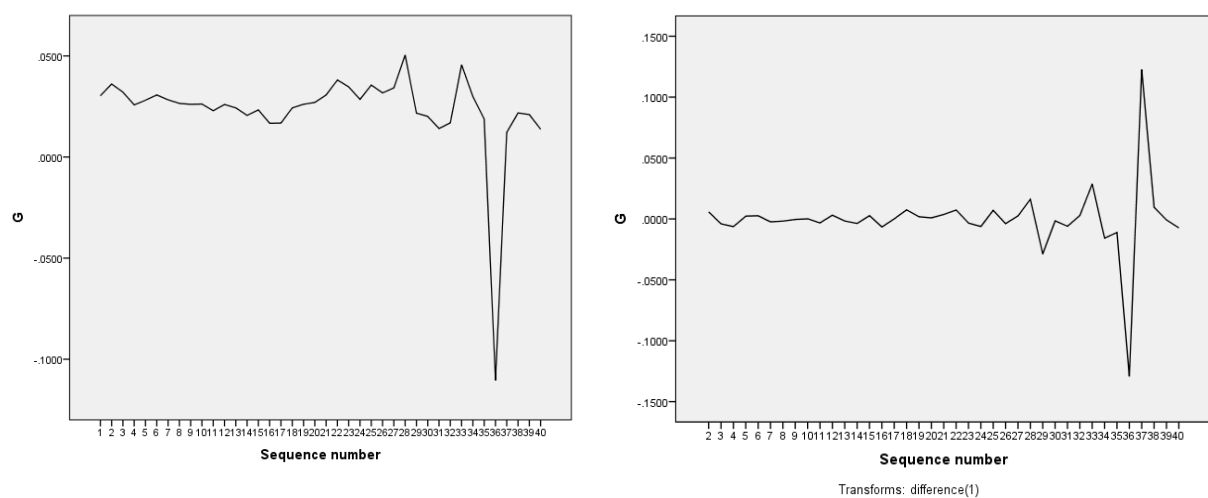


Figure 1: The series G is non-stationary and G is stationary when taking the first difference of order

To make the series stationary, take the first difference using SPSS software. When we take the first difference of this series, we get a new series, the PLASTIC INDUSTRY sector G volatility, which has no trend and revolves around an average value (Figure 1). This is seen as the expression of a stationary sequence.

* Building ARIMA model for sustainable growth rate G in plastic industry

To build the ARIMA model, the author uses a data series of 40 observations from 2011 to 2020.

Step 1: Identification (determine p, d, q values)

The data series G stops at the first difference, we have $d=1$.

How to determine p, q using SPSS software: Choose Analyze => Forecasting => Autocorrelations. Then change the G variable to the Variables box, click Difference => Autocorrelations => Partial autocorrelations. To determine the p, q values of the ARIMA model, it is necessary to rely on the ACF and PACF histograms.

To determine p, Box & Jenkins (1976) proposed the following identification method: A stationary series of autocorrelation of order p if (i) The autocorrelation coefficients gradually decrease in exponential or sinusoidal form, (ii) The partial correlation coefficients suddenly dropped to zero significant immediately after the delay p.

Similar to how p is determined, observe the autocorrelation plot of the series G.

From the results of observing the PACF graph, the ACF graph we get: p can have the value 1 or 3; q has the value 1 or 0.

Thus, there are four possible suitable ARIMA models: ARIMA(1,1,1); ARIMA(1,1,0); ARIMA(3,1,1); ARIMA(3,1,0).

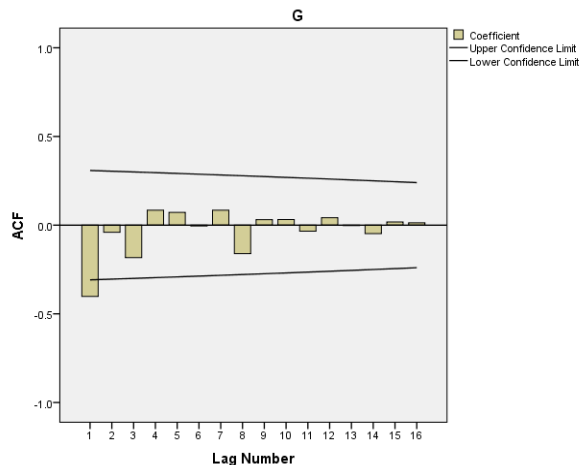


Figure 2: ACF graph

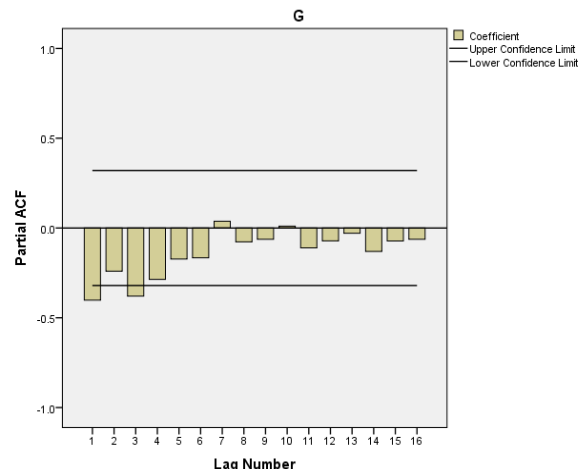


Figure 3: PACF graph

Step 2: Estimating the model

Using SPSS software to estimate coefficients of the ARIMA model (p, 1, q) as identified above. Choose Analyze => Forecasting => Create Models. Then put Independent Variables FDI into the box, in the box and select the method selected ARIMA Criteria. NCS implementation models estimate ARIMA (1,1,1); ARIMA (1,1,0); ARIMA (3,1,1); ARIMA (3,1,0).

Step 3: Check diagnostics

To check the fit of the models, based on Schwarz criterion (BIC) and mean square error (RMSE). Where: BIC is an estimate of the following probability function of the model being true, under a given Bayesian setup, so a lower BIC means that a model is considered likely to be a

true model. RMSE (root mean square error): Variance or standard deviation of the forecast series compared with reality. The smaller these indicators, the better the forecast model matches the actual value.

After trying to estimate the ARIMA models, the following table summarizes the statistical results:

Based on the results of Table 2, the ARIMA model (1,1,1) is the most suitable model because it has the smallest BIC and RMSE values.

Table 2: Statistical results of some standards of the tested ARIMA models

Model ARIMA(p,d,q)	BIC	Adjusted correlation coefficient (R ²)	RMSE
(1,1,0)	-7.225	0.43	0.023
(1,1,1)	-6.96	0.161	0.028
(3,1,1)	-6,931	0.323	0.026
(3,1,0)	No forecast results		

Step 4: Forecast

The medium-term forecasts of the return on equity value based on the ARIMA model (1,1,1) are presented in Table 2.

Figure 4 shows the predicted value data of plastic industry 2021 G sector quite closely to reality. (In fact, the average G value of the listed plastic enterprises in the first quarter, the second quarter of 2021 is 0.021 and 0.020, respectively. This shows that this ARIMA (1,1,1) model has explained the volatility of return on equity G. However, the forecast of the next points may have larger errors, correct Therefore, it is necessary to update the data regularly to make forecasts closer to reality.

Table 3: Forecasting results of sustainable growth rate G of PLASTIC INDUSTRY. industry

		Forecast			
Model		Q1 2021	Q2 2021	Q3 2021	Q4 2021
G-Model_1	Forecast	.0127	.0121	.0116	.0111
	UCL	.0601	.0602	.0597	.0592
	LCL				
		-0.0347		-0.0365	-0.0370
		-0.0359			

Figure 4: Forecasting value of sustainable growth rate G of plastic enterprises

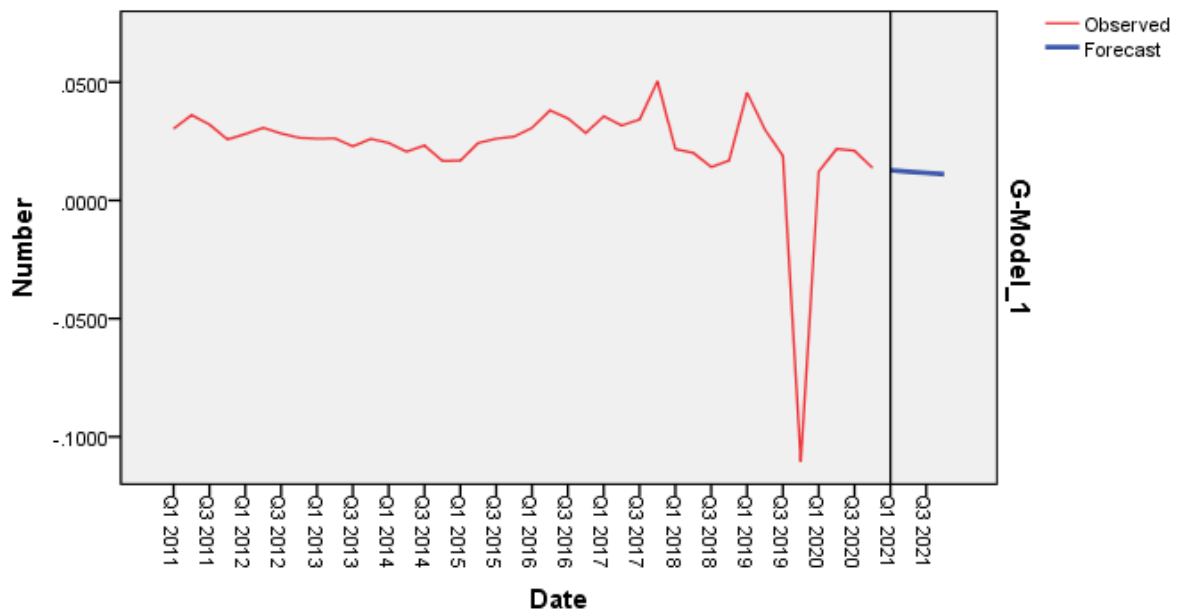


Figure 4 shows the predicted value data of the enterprise G 2021 plastic rather stick to reality. (Actual value G of listed plastic industry average in the first quarter, second quarter / 2021 respectively 0.021; 0.02). This shows that the model ARIMA (1,1,1) This explains the volatility of the sustainable growth rate G of the plastic business listing. However, predict the next point may have greater error, so you need to update the data regularly to make forecasts more close to reality.

According to the research results of author Tran Phuong Thao in the article “Factors affecting sustainable growth of plastic businesses in Vietnam” (2021), said:

“There are 4 factors that are statistically significant to the sustainable growth rate: Total asset turnover (X2) at 1% significance level, Debt to total capital ratio (X3) with significance level 1. %, Fixed assets ratio (X5) at 1% significance level, Interest payment ratio (X6) at 1% significance level. We have a regression model showing the influence of the factors on the index G as follows:

$$G = -0.384 + 0.104X2 + 0.511X3 + 0.00268X5 + 0.000358X6”$$

Accordingly: the total asset turnover is positively correlated with the sustainable growth rate, the increase in asset turnover contributes to the growth of the business. Debt to total capital ratio and loan interest payment ratio are the factors that show the financial structure of the enterprise, these factors have a positive relationship with the sustainable growth rate of the enterprise. Listed plastic enterprises, when taking advantage of financial leverage, will contribute to the sustainable growth of their businesses. The proportion of fixed assets in total assets has a positive relationship with the sustainable growth rate of the enterprise. In which the two factors that have the strongest impact on the sustainable growth rate are the number of assets turnover and the ratio of debt to total capital, these indicators of listed plastic enterprises have decreased in recent years. Recently due to the following reasons:

In recent years, the revenue of listed plastic enterprises has decreased due to the tendency to limit the use of environmentally friendly plastic products. Plastic bags in Vietnam are currently subject to environmental protection tax of 30,000-50,000 VND/kg, and are expected to increase to

40,000-200,000 VND/kg, aiming to gradually reduce the use of non-biodegradable plastic bags. In addition, many countries around the world are also applying high environmental protection taxes or even banning the production, sale and use of plastic bags. In Vietnam, the project to strengthen the management of plastic waste in Vietnam was approved in July 2021, according to which, by 2025, we strive to use 100% of plastic bags and environmentally friendly packaging by 2025. at commercial centers, supermarkets for living purposes to replace non-degradable nylon bags; ensure the collection, reuse, recycling and treatment of 85% of the generated plastic waste. This trend has the effect of reducing sales' ability to sell products, thereby affecting the revenue, profit and value of listed plastic enterprises.

The debt to total capital ratio of enterprises will decrease in 2020, 2021 due to the complicated developments of the COVID-19 epidemic, which prevents businesses from taking risks in taking out loans to invest in production. Although the Government issued Resolution 63/NQ-CP, whereby 16 banks agreed to reduce lending interest rates by up to 1%/year for customers affected by the COVID-19 pandemic, applied from July 15th to the end of 2021. However, in order to ensure credit safety, improve credit quality, and avoid increasing bad debts for banks, a number of strict conditions are proposed: collateral assets, the management of collateral, the management of the use of loans ... directly put pressure on businesses in ensuring operational efficiency and payment pressure. This makes businesses more cautious in borrowing, causing the debt-to-total capital ratio to decrease.

With the influence of two factors: total asset turnover and debt to total capital ratio, the growth rate G is forecasted to decrease in the coming time.

5. CONCLUSION

Fluctuations in the growth rate G of listed plastic enterprises in Vietnam as a time series follow the autoregressive integrated moving average latency time is 1 or ARIMA (1,1,1). Based on this model we can make forecasts about the possibility of sustainable growth G of listed plastic enterprises in Vietnam. In the coming time, the corporate bodies of plastic, the association of plastic Vietnam needs to have a specific strategy for research and development and production activities, particularly the development of production of plastic products friendly to the environment, regarding it as an important strategy in the development of sustainable plastics. In conditions when Vietnam joins the international trade agreements FTA, APTA, CPTPP ... opportunity for businesses to reach plastic engineering technology advanced and cheap materials will open. However, the challenges of competition among domestic enterprises, internationalization will increase requires proactive and creative in business and production to meet the requirements of quality, safety and the environment through that businesses new plastic grasp market, sustainable development. In addition, in the face of unpredictable developments from the COVID-19 epidemic, some businesses in the plastic industry said that the Vietnamese plastic industry currently lacks a team of experts with deep industry knowledge who can analyze and provide information about the world plastic market. It is also difficult for businesses to access data and information related to the industry to plan long-term development strategies. The Ministry of Industry and Trade as well as the Vietnam Plastics Association need to have a close connection in providing analytical data, forecasting the situation of plastic production and export in the country as well as the world, so that enterprises

in the industry can come up with long-term development strategies, closely following the actual situation and needs from the market.

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DIVIDEND POLICY MODEL – THE CASE OF PUBLICLY LISTED TRANSPORTATION CONSTRUCTION COMPANIES IN VIET NAM MARKET

MSc. Nguyen Thi Thuy Dung¹

Abstract: *The study collected data from 20 listed traffic construction companies in Vietnam for the period 2016-2020 and groups these companies according to the dividend model. The research has divided companies into 3 main groups according to the dividend policy model that companies use: stable, residual and uncertain policy. The study found that the firm size and earning per share of groups with different dividend policies are different.*

Keywords: *Dividend policy, listed transportation construction companies*

1. INTRODUCTION

Dividend policy is one of the three important financial policies of a business. It involves the distribution of after-tax profits into two parts, one is for dividends to shareholders, the other is for reinvestment in the following year. Therefore, the use of dividend policy also directly affects the policy of capital mobilization and investment in the following year. Many investors consider the dividend policy of an enterprise as a basis for evaluating the current state of the business according to the signaling theory. Therefore, choosing a reasonable investment policy not only supports better production and business, but also builds trust of investors.

The group of traffic construction companies listed in Vietnam were chosen because the traffic construction industry has great significance for the development of transport infrastructure in Vietnam while the joint stock companies in this field have only been established in a short time and the dividend policy of companies is still inadequate. The analysis of the policies used by companies will serve as the basis for other studies on the dividend policy of these companies.

The next content of the paper will be divided into 4 parts: part 2 deals with the general theory of dividend policy models, part 3 is a description of samples and research methods, part 4 is the results of research on dividend policy models which has been used. Section 5 is a summary of the studies.

2. THEORETICAL BACKGROUND

Many authors around the world have collected and built a plentiful accumulation of statement such as the book “Dividend policy. Theory and practice” by G.Fr Ankfuter Et Al (2003) [3], “Dividends and dividend policy” by Baker H.K (2009)[2], “Fundamentals of corporate finance” by Ross et al (2013) [6], “Applied corporate finance” by Aswath (2014)[1]

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Dividend policy represents the decision between paying profits to shareholders and retaining profits for reinvestment. Dividend policy has an important role, it directly affects the interests of shareholders and affects the growth and development of the company in the future. A reasonable policy is a policy that can maximize value for owners, that is, both satisfy current consumption needs (through cash dividends) and also meet investment needs (through the retention rate for reinvestment).

Therefore, corporate decisions about dividends are often combined with financing decisions and capital investment decisions. When a company pays a high dividend, less profit is left to reinvest, which can lead to lower growth rates of future earnings and dividends, which can lead to a drop in the stock prices. Therefore, in practice, there are many different dividend payment models.

Based on the orientation of dividend policy, dividend policy can be divided into 4 main groups: (1) stable dividend policy, (2) residual dividend policy, (3) Stable dividend policy at a low level and extra at the end of the year, (4) stable dividend payout ratio

2.1. Stable dividend policy

The theory of stable cash dividend policy comes from the belief of managers that shareholders often prefer stability expressed through a stable share dividend or steady growth of dividends.

Under this policy, the company will prioritize after-tax profit for shareholders' dividends and strive to maintain a stable dividend level. Stability is characterized by the fact that the company will do everything to not have to reduce the amount of cash to pay dividends to shareholders from period to period, and the company only makes higher dividend payments when it able to achieve a solid increase in earnings, able to sustain that dividend increase over the long term. Even in cases where there is a strong guarantee of a high dividend increase, managers will only increase the dividend rate by very little relative to the increase in the company's profits. B e c a u s e managers need to wait and see if earnings growth proves sustainable before adjusting for dividend increases.

Therefore, dividend policy which is used this year has a very strong correlation with dividends in the previous year, that relationship can be generalized as follows:

Geometric progression dividend growth formula:

$$DPS_t = DPS_{t-1} (1+gt)$$

Arithmetic progression dividend growth formula:

$$DPS_t = DPS_{t-1} + Gt$$

Where:

+ DPS_t is the dividend per share in year t;

+ DPS_{t-1} is the dividend per share in year t-1;

+ gt is the geometric progression growth rate of the dividend of year t and

+ Gt is the common different in dividend growth

If g/G is zero or there is a small change over many consecutive years, it means that the dividend is considered stable.

We have a graph illustrating the stable dividend policy

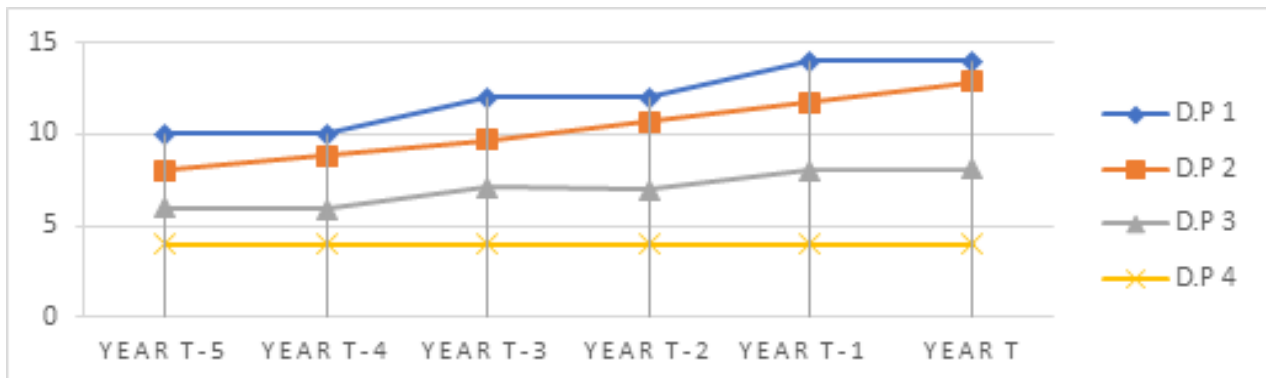


Chart 1: Stable dividend policy

2.2. Residual Dividend Policy

The theory of residual dividend policy is that investors will want to increase the value of the company's stock in years when it has good investment policies by putting after-tax profits into reinvestment. This action brings more benefits than shareholders receiving individual dividends and investing in the market with a return lower than the return that the company project brings.

Residual dividend policy is a policy that prioritizes the use of after-tax profits to reinvest, the remaining after-tax profits after planning the investment plan will be used to pay dividends. During the years that the company needs to prioritize all after-tax profits for the next year's investment activities, the dividend will be zero, meaning that no dividends will be paid. During the years that the company does not have many opportunities to invest in projects with good profitability, it can pay dividends of 100% of profit after tax.

When determining the share of profit for reinvestment, the company needs to determine the optimal capital structure and the required equity ratio in the total capital as a basis for making the necessary equity. According to this policy, dividends to be paid will be calculated as follows:

$$\text{Dividends} = \text{Net income} - \text{Target equity ratio} \times \text{Total capital budget}$$

Where:

- + Dividends is the total dividend paid;
- + Net income is net profit (profit after tax);
- + Target equity ratio is the ratio of equity to total capital according to the target capital structure;
- + Total capital budget is the total capital for investment activities next year.

The following graph illustrates dividends under the residual policy when there were good opportunities in year t-5, t-2, t-1, t and lack of opportunities in the year t-4, t-3

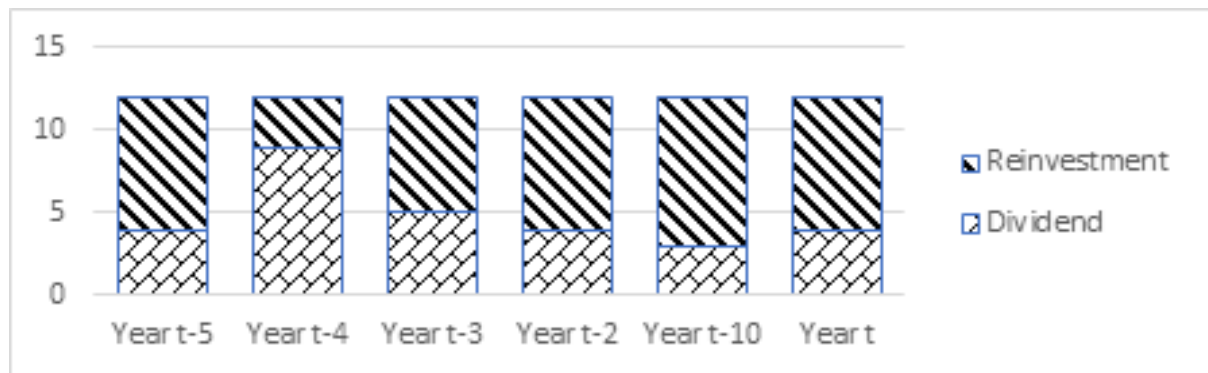


Chart 2: Residual Dividend Policy

2.3. Policy of Regular and Extra Dividends

When the company uses the Policy of Regular and Extra Dividends, the company will offer a stable annual dividend (with a low dividend amount) and depending on the business situation, an additional dividend will be paid at the end of the year. The amount of dividend paid is expressed by the following formula:

$$\text{Div} = \text{Div Reg } t + \text{Div Ext } t$$

In which:

- + Div_t is the dividend paid in year t;
- + Div Reg t: Regular dividend (same as steady but low dividend) at year t;
- + Div Ext t: Additional dividends at the end of year t depending on the business situation.

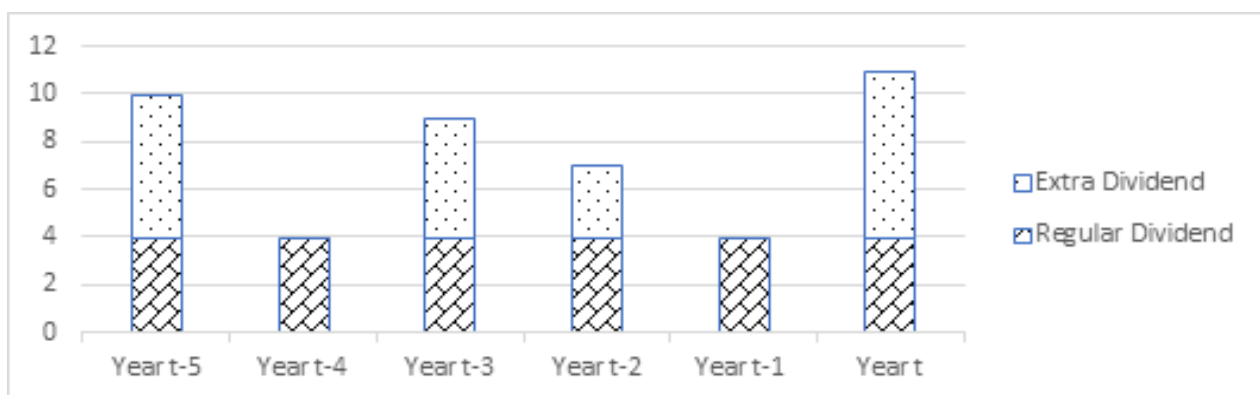


Chart 3: Policy of Regular and Extra Dividends

2.4. The Constant Dividend Payout Policy

The Constant Dividend Payout Policy is established by determining a fixed ratio between Dividends and Profits after tax and then maintaining that ratio over the years. Accordingly, the dividend of year t is calculated as follows:

$$\text{Div}_t = \text{DPR} \times \text{NI}_t$$

In which:

- + Divt is the dividend of year t;
- + DPR is dividend rate (this is a predetermined fixed rate)
- + NIt is net profit (profit after tax of year t)

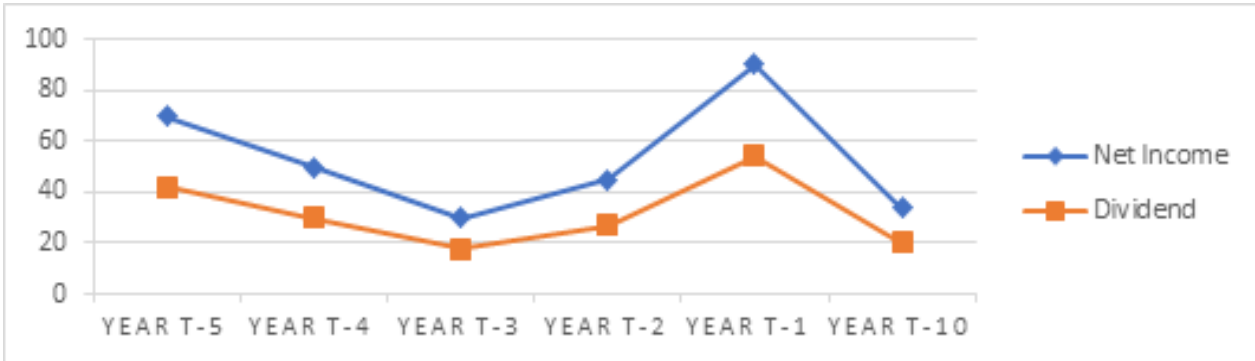


Chart 4: Constant Dividend Payout Policy

3. DATA AND METHOD

Based on the data obtained from 22 companies in the sample during the period 2015-2019.

The research method is the method of synthesizing historical data, using excel software to calculate the necessary data, then using the evaluation analysis method to make comments.

4. RESULT

4.1. Dividend policy of the sample

Based on the above classification criteria, the dividend policy of the companies in the sample is divided into 3 main groups as shown in the following table:

Group	D.P	Label	Number	Ratio
1	Stable D.P	QTC,BCE,C71,TVG,HFB, CT3,GTS, GTH, CTI, C4G,	10	59%
2	Residual D.P	CEE, C92, LCS, LUT, MCO	5	25%
3	Uncertain D.P	TTL, NMK, LIG, LGC, VMC	5	25%

Table 1. Dividend policy of the sample

❖ Companies with stable dividend policy

The stable dividend policy does not mean that 100% of the dividends must be equal every year. A company with stable dividend policy implies that the company will try to maintain a relatively even dividend level over the years (may decrease but the reduction is not too large). In addition, companies that pay dividends that increase steadily over the years or in most years pay dividends at the same level and only have to stop or change the dividend level in one year.

Unit: VNĐ

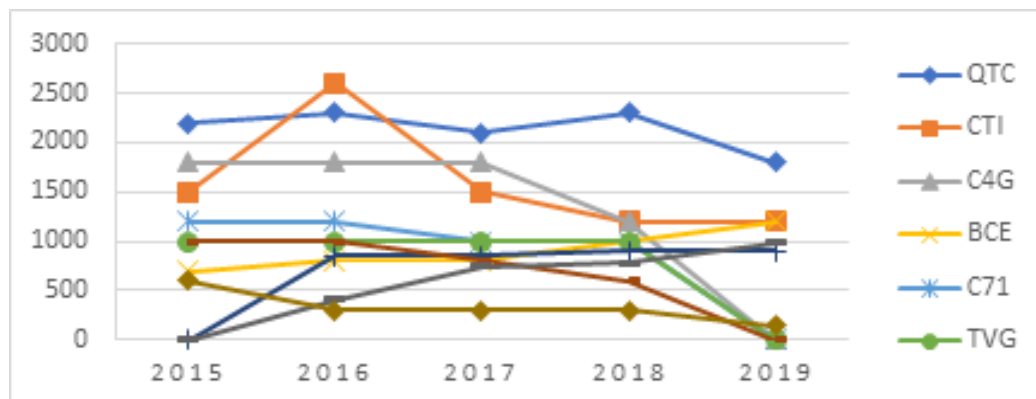


Chart 5. Dividends of stable dividend policies

Source: Authors, based on data collected in the research

QTC is the company that achieved the highest average dividend in the sample, reaching VNĐ 2,140 per share and despite a decrease in dividends in 2017 and 2019 due to the business's difficult business situation, the company still strives to maintain the dividend level as close to the expected dividend as possible and to comply with its commitments in practice. QTC can be considered as a special enterprise of the sample because its size is the lowest in the sample, with an average of just over 80 billion, the average profit is only ranked 11/22 but the average EPS is the highest in the sample. This company has a high local specificity because it mainly operates in Quang Nam province, although it is not a too large market, the company has continuously imported modern machines from Korea, deployed new technologies, processes, ... create trust for partners and effectively exploit the market, bringing a lot of value to Quang Nam province as well as to the company itself.

C4G is classified as a stable dividend because during 3 consecutive years from 2015-2017, the company has maintained a fixed dividend of VNĐ 1,800/share and to be able to maintain that dividend, C4G had to use more than 100% of 2015 and 2017 profits and 94% of 2016 profits. However, C4G's Annual Report clearly reflects the instability in financial situation and policy implementation. In fact, the dividend offered by C4G is considered to be too high compared to the current situation of C4G, the actual liquidity of the company is low, causing C4G to constantly break promises to shareholders

C71 is the company whose dividend payment remained the same from 2015-2016 (1,200 VNĐ /share) and lowered to 1000 VNĐ/share in 2017-2018, although the dividend was reduced, C71 had to increase from about 80% of Earning After Tax (in 2015-2016) up to about 90% of Earning After Tax (in 2017-2018) to get the dividend of 2017-2018, showing a significant decline in profit of C71. However, the implementation of C71's dividend policy was carried out and strictly complied with the commitments, showing that C71's assessment and decision-making on dividends is very consistent with company's actual business situation and liquidity.

TVG is a company with stable dividend policy because the company maintained a constant dividend of VNĐ 1000/share during the 4 years 2015-2018 and stopped paying dividends in 2019

due to the decline in production and business situation due to general difficulties. TVG uses almost 100% of profits to pay dividends to shareholders to set such a stable dividend level.

BCE is the only company that achieves a continuously growing DPS dividend in the sample, the average dividend that BCE achieves is 900 VND/share, which is a relatively high dividend compared to the sample. BCE 's annual report also shows that BCE is more prepared than other company to deal with industry-specific risks such as weather risks, policy risks, liquidity risks, etc. .shows a very good vision of the management and as a result, company's EPS grows quite steadily.

HFB has been listed since 2017 but has been equitized since 2016 and in the first year the company paid a dividend of 850 VND/share, which is also the dividend that HFB has maintained in 2017. In 2018- 2019, the dividend has increased with an increase of 6% (from VND 850 to VND 900). According to the resolution of the General Meeting of Shareholders, HFB plans to pay a dividend in 2017 of VND 850, but it will be divided into 2 times due to the liquidity for production and business activities. The dividend plan of 2018 and 2019 also shows the will to pay a dividend of VND900/share, but due to reduced liquidity and receivables that have not been converted to cash, HFB has to continuously delay the payment of dividends.

GTS became a JSC and listed since 2016 and that year, GTS decided to pay a dividend of VND 405.9/share and also pay a stock dividend at the rate of 56:1, equivalent to 1,786% of the charter capital, equivalent to VND 178.6 /share, the total dividend is equivalent to VND 584.5 /share. After deducting all the funds as prescribed, all after-tax profits have been used to pay dividends. In the following period, from 2017-2019, GTS's dividend continued to grow and was continuously divided into 2 payments per year, reducing the pressure on company's liquidity.

CTI, GTH, CT3 are 3 companies that are different from the above companies as they have dividends that tends to decrease continuously but is still classified as stable because of the efforts of the 3 companies in maintaining the best dividends possible

❖ *Residual Dividend Policy*

The focus of this group is to prioritize after-tax profits for reinvestment next year. After that, the business makes dividend payments on the remainder. The situation that shows this policy most clearly is when the company has a large enough profit to pay dividends but prioritizes to use that profit for reinvestment in the following year, the remaining part is used to pay dividends. Prioritizing profits for reinvestment is purely a proactive decision. In the situation where the realized profit of the company is positive (but not much), the priority to use that part of the realized profit for reinvestment next year is considered a priority company for passive investment, due to the mandatory situation.

Companies in this group are: (1) Companies that do not pay dividends at all in 5 years: C92, LCS, LUT and MC). (2) Companies that stopped paying dividends for 3-4 consecutive years: CEE

C92 is COMPANY with positive profit for 4 years (2015-2018) and the company suffered a loss in 2019, in the years when C92 had positive profit, C92 was able to pay a dividend of about 1000 VND/share for investors in 2015-2016, but C92 has self-assessed that the company will have many difficulties, so it prioritizes all profits from 2015 to reinvest in the next year and exactly as C92 has predicted. Reportedly, company's competitiveness is decreasing, profits from previously

signed projects and market expansion to new markets only help C92 achieve very low EPS. Thus, it can be said that in the first 2 years, company actively prioritized money for investment and 3 years later company was forced to spend money on production and business activities due to the declining situation.

LUT, MCO have positive profit in all 5 years of the sample, the profit is very low, calculated per share, the realized profit is only 50-60 VND/share on average per year.

LCS is a rare company of the entire sample that has built a long-term dividend policy, in 2016, LCS planned to not pay dividends for the year 2015-2016, save money for business development and will start spending dividends from 2017 (5%) and then the 2018 dividend of 10%, the 2019 dividend of 10%. In 2017, facing the changes of the economy, LCS re-evaluated and proposed another dividend plan for 5 years (from 2017-2021) and oriented to start paying dividends in 2019.

CEE company has a large scale of assets and CEE has a very good profit margin in 2015 and uses most of the profit to pay a strong dividend this year (2000 VND/share) and in 2016 CEE issued new shares. In 2016, based on the actual decline in profit, CEE reduced the dividend to 1000 VND/share. And in the following 3 years, although it still continuously generated profits in 2017, 2018 and that profit level was still guaranteed to pay dividends to shareholders at 1000 VND/share for 2 years, CEE did dividend policy 0%.

❖ Uncertain dividend policy

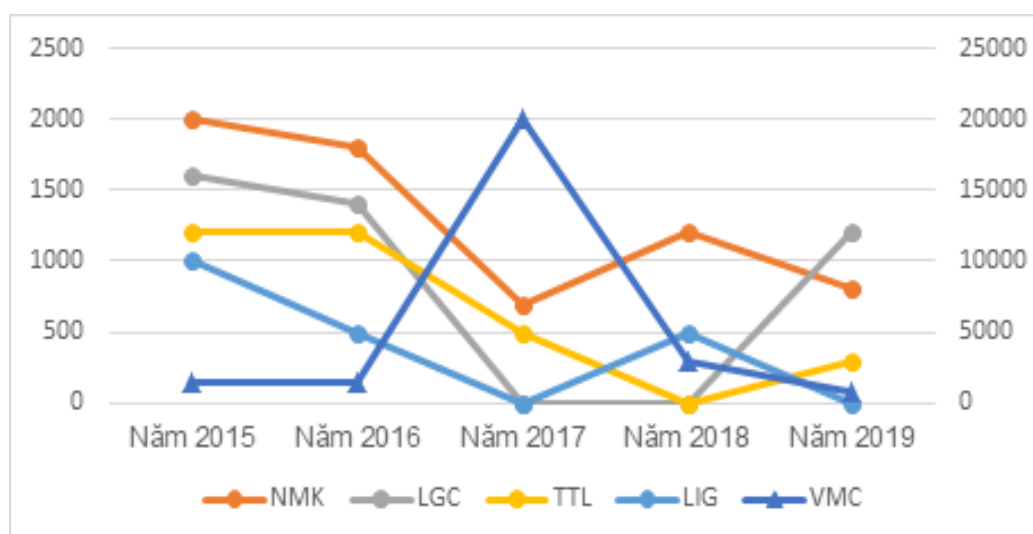


Chart 6. Uncertain dividend policy

Source: Authors, based on data collected in the research

NMK is company which can be considered as having the most flexible dividend decisions in the sample, it paid a high dividend in 2015 (2000 VND/share). In 2016, the business situation had more negative fluctuations due to tight industry market, NMK was forced to reduce 2016 dividend to 1,800 and pay twice (800 dong in March 2017 and 1000 dong in March 2017 and 1000 dong in 2016). in June 2017). NMK's situation continued to become more difficult after 2017, when nearly 55% of profits were used for cash dividends, but the dividend level was only 700 dong, less than half of the

previous year's dividend. However, NMK still tries to maintain the total dividend for shareholders by paying an additional share dividend of 8%, equivalent to a cash dividend of VND800/share, which means that NMK tries to spend total payment to shareholders is 1,500 VND/share (although lower than previous years, it also shows NMK's preference for shareholders' dividends). In 2018, NMK, although it used up 77% of its profit, was forced to reduce its dividend payment to 1,200 dong due to its poor business situation, and the reduction in payment continued in 2019, when NMK uses 75% of its profit to achieve a dividend of 800 VND/share.

VMC can be considered as company that pays the highest dividend in the sample with an average dividend of VND 5360/share, the dividend level has increased continuously from 2015-2017 and decreased in 2018, in 2019, Shareholders only received 800 VND/share. In 2017, VMC had a record dividend payment compared to the whole sample, reaching 20,000 VND/share due to the sudden growth in profit of VMC, reaching 23,090 VND/share. In 2018, VMC achieved an EPS of 8,530 VND/share and decided to pay 3000 VND/share, it used nearly one-third of retained earnings for dividends. If according to the generous way of the previous year, in 2018, the Shareholders could have received about 8000 VND/share. However, in its report, VMC also clearly expressed concern about solvency and difficulties that the company is facing due to the difficulty of the common market, thereby leading to caution in decisions of dividends

LGC only paid a high dividend in 2015, decreased in 2016 and did not pay dividends at all in 2017-2018 when the profit situation declined and returned to pay dividends in 2019 when the situation got better. The distributable profit source of 2017 and 2018 completely allows LGC to pay dividends at the same rate as 2015 and 2016 which is about 1500 VND/share, but LGC has analyzed the business situation and because of the pressure for the future liquidity of the company, which has decided to stop paying dividends in these 2 years and only pay dividends in 2019, when company's profit increases again. From that, it can be seen that LGC has a dividend decision tied to the company's actual cash flow and liquidity based on predictive analysis of future cash flows.

LIG is also a company without a clear dividend policy when paying a dividend of VND 1000/share in 2015, reduced to VND 500/share in 2016 and stopped paying dividend for 2017, returned to pay a dividend of VND 500 /CP for 2018 and stopped again in 2019. 2015 was the year when LIG made the most generous dividend payment, along with the issuance of more shares to increase share capital. In 2015, LIG both paid a cash dividend of 1,000 VND (divided into twice 2015 and 2016), both paid a stock dividend of 8% and a share bonus at the rate of 18%. After a successful share issuance, LIG always shows the will to pay a dividend of 5-10% for the following years, but in fact, because of poor performance, EPS is about 250 VND/share/year throughout. In the 4 years 2016-2019, in fact, when LIG paid dividends of 2 years 2016 and 2018 at the rate of 500 VND/share, and stopped paying for 2017 and 2019, LIG also used most of the profit after-tax to pay dividends

TTL has a stable dividend in 2015-2016 at 1200 VND/share, by using about 60% of 2015's profit and 80% of 2016's profit for a dividend of 1200 VND/share, showing that Prioritize stable dividend for shareholders. However, after that, like many other company, the economic situation was difficult, business risks increased, TTL only paid a dividend in 2017 of VND 500/share, this is a clear decrease and TTL had to use up to 85% of retained earnings for this dividend, which means

only 15% for future investment. In 2018, when the profit decreased to only EPS of 26 VND/share, but there was still profit left over from the previous year, but TTL ignored the plan to use profits to pay dividends and stopped paying dividends for the year. 2018 to prioritize retained earnings for the company's operations. Through 2019, TTL has had a better business situation and has used about 70% of profits to pay 300 VND/share to shareholders, this dividend is much lower but in the context of a declining economy, TTL are in need of capital for next year's activities, it can be seen that TTL has also tried very hard to both pay dividends to shareholders and have capital for development.

4.2. Analysis of size and profit per share

The average size and profitability of the groups are shown in the following table:

Group	Year	Average asset	Average EPS
Group 1	2015	1,491,366,112	1,744
	2016	1,494,713,678	1,493
	2017	1,558,135,724	1,274
	2018	1,659,586,008	1,229
	2019	1,528,844,505	891
Group 2	2015	558,906,078	873
	2016	562,489,919	551
	2017	653,079,997	221
	2018	675,122,713	(975)
	2019	666,093,725	(494)
Group 3	2015	2,465,631,635	2,964
	2016	2,861,519,565	1,931
	2017	3,100,674,751	5,183
	2018	3,186,844,671	2,334
	2019	3,657,350,993	831

Table 2. Average size and profit per share of groups

Group	Average asset	Average EPS
Group 1	1,546,529,205	1,326
Group 2	623,138,486	35
Group 3	3,054,404,323	2,649

Table 3. 5-year Average of asset and EPS

From the table we can see that group 3 is the group with the highest average EPS and size, twice as high as group 1 (group 1 is the group with medium size and EPS) and group 2 is the group with lowest average assets and lowest average EPS.

5. CONCLUSION

Most of the companies in the sample use a stable dividend policy and most of them are small in size.

Companies with residual policy are 100% small-scale companies with poor profitability

Companies with erratic policies are the least in the sample and occur in both good and bad groups; however, in the better business groups, this volatility is more positive.

Therefore, it can be seen that EPS and size have a close relationship with the dividend policy that businesses choose. Most of the firms in the sample prioritize stable dividend policy.

If the business situation is favorable and large scale, the enterprise flexibly chooses a positive dividend policy, the instability here is positive. And when the production situation is very bad, most businesses stop paying dividends

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FACTORS AFFECTING THE ATTITUDE OF FREIGHT FORWARDERS IN HO CHI MINH CITY TOWARDS BLOCKCHAIN TECHNOLOGY

PhD. Nguyen Thanh Hung¹

Abstract: *The adoption of blockchain technology is becoming more and more necessary for the forwarding industry. It is expected to make the entire logistics service delivery process more efficient and competitive by providing transparency, reliability and assurance. This study aims to explore the factors influencing attitudes towards blockchain technology in the forwarding sector and examine the impact of the identified factors. The factors influencing attitudes towards blockchain technology were identified through a model developed from the Unified Theory of Acceptance and Use of Technology (UTAUT) and a Technology Organization Environment analysis framework (TOE). The research results identify the factors affecting the attitude towards blockchain technology in the HCMC forwarding sector, on that basis, some policy implications are proposed.*

Keywords: *attitude, blockchain, forwarding, TOE, UTAUT.*

1. INTRODUCTION

Blockchain technology is considered as one of the fundamental technologies that will drive the fourth industrial revolution. Many experts in related fields predict that when these technologies are commercialized, their features will serve as a platform applicable to industries (Mao, D. et al., 2018). Specifically, blockchain technology drives digitization across all industries, including finance, manufacturing, distribution, and the public sector. In that context, knowledge about the application of new technology becomes more important in creating value, especially in the logistics industry (Zakky, Z et al., 2018). Blockchain-based technologies are characterized by security, transparency, speed, P2P based features, availability, reliability, flexibility, scalability, safety, and zero of intermediaries (Cheng, Y. et al., 2018). With these benefits and features, blockchain technology is developing rapidly in the financial and logistics industry (Choi, D. et al., 2020).

Fintech and information technology companies invest and work together to develop various blockchain platforms in the banking and financial sectors. The e-commerce industry is also pursuing the path of blockchain commercialization to enable secure peer-to-peer transactions. The freight forwarding industry has the second highest application potential after banking and finance when it comes to blockchain. Accordingly, the adoption of blockchain is necessary for logistics companies, and to achieve high efficiency requires an industry-wide effort. That's why the research focused

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on freight forwarding companies. This study aims to explore the factors that influence blockchain adoption intention. Among the models established to explain technology adoption are UTAUT and TOE frameworks. UTAUT is one of the most common models used to explain how companies or individuals adopt and use a new technology. One of the novelties of this study is the combined use of two analytical frameworks to identify factors related to the intention to apply blockchain. Furthermore, previous studies have focused on researching and analyzing trends, application cases as well as legal and policy requirements for blockchain adoption. Therefore, this empirical study aims to partially fill that gap, especially in the freight forwarding industry.

2. THEORETICAL FRAMEWORK AND RESEARCH METHODS

2.1. Blockchain concepts and types

Blockchain can be defined according to different application-specific factors: industry nature, technology level, and supply chain processes (Cheng, Y. et al., 2018). As a type of distributed database, blockchain is a continuously evolving sequence of data records (Choi, D. et al., 2020).

Functional characteristics of blockchains based on participants, providers, authority and role of administrators in the network, and on the basis of the presence or absence of transaction validation mechanisms, classified blockchain networks include public blockchain, association blockchain, or private blockchain (Zhang, A., 2018).

The association's blockchain network is semi-centralized and easily scalable, and consensus is managed by a group of the association's participants. It is highly efficient and scalable, with high transaction speed and the ability to specify sensitive data processing tasks. Its downsides are the need for human intervention to process transactions and its low transparency and security.

Private blockchain networks are peer-to-peer networks built on a platform where consensus is managed by a single centralized organization. They are characterized by high efficiency and scalability, with the ability to handle more transactions and adapt to the characteristics of the business. However, their level of security is low.

2.2. Blockchain application in forwarding industry

Blockchain technology is making the forwarding and logistics industry more reliable and transparent by providing data immutability, which does not allow any attempts to change, manipulate or intrude (Hao, Z., 2020).

While the global supply chain is expanding and its complexity is increasing, bottlenecks are becoming more and more obvious in the logistics sectors (forwarding, shipping, import and export, etc.) (Bublitz, F.M., 2019). Accordingly, applying blockchain technology is emerging as an inevitable solution to improve the competitiveness of the logistics industry worldwide. It is a new technology recording transaction, security, with great potential for many applications, including distribution, transportation logistics and global supply chains (Queiroz, M.M. et al., 2019; Treiblmaier, H., 2018).

In 2017, Musk Corporation decided to develop a shipment tracking solution based on

blockchain technology in cooperation with IBM. Such a system is expected to enable real-time tracking of the movements of more than 10 million shipping containers globally. In addition to freight forwarding, all transaction records made in the supply chain will be traceable as part of the process of improving traceability (Tijan, E. et al., 2019).

From there, it shows that blockchain is a must-have technology for the forwarding and logistics industry. The study reviews the literature on the functional features of blockchain to develop research models and hypotheses, based on UTAUT theory and TOE analysis framework to identify factors affecting the attitudes of forwarding company for blockchain technology.

2.3. Literature review

In Vietnam, blockchain research in the logistics industry is still very sketchy and sparse. Most of them just introduce blockchain theory, its theoretical benefits and general assessment of the application situation. According to Hoa Ho and Lien Bui (2018), blockchain is a new technology trend that is receiving a lot of attention from many businesses in many different fields. In the supply chain, this technology helps make systems more transparent, robust and less dependent on intermediaries thanks to clear traceability, easier traceability in the chain. The two authors presented in their article on the theoretical benefits of blockchain in the supply chain, the common opportunities and challenges of applying blockchain in Vietnam, and propose: creating a culture of integration, there should be more blockchain start-ups. According to Van Nguyen (2020), although blockchain has been around for a decade, until now, blockchain is in its infancy. In her article, the author discusses blockchain application trends in agricultural traceability, logistics, and sales management activities, and at the same time, makes comments on application of blockchain technology in the supply chain of agricultural products in Vietnam in the future.

Author Oliver Kühn et al (2019) studies the current situation of blockchain application in German logistics service providers, based on the TOE framework application, factors of support and limitation are identified, used method: qualitative interviews were conducted with seven participants as part of a three-phase delphi study. The result is that Germany's small and medium-sized German logistics providers are currently barely involved in blockchain technology. Larger German logistics providers are starting to define their own use cases and are trying to develop them further in joint projects with partners. The limitation of this study is based on the interview results of seven respondents. Miraz et al (2020) performed research to explore the factors related to corporate structure for the application of blockchain in the logistics supply chain. In addition, the study also discusses the relationship between information technology (IT) capability, service quality of staff and e-logistics in the logistics supply chain implementation. This study was carried out to solve the problem of low performance of the logistics industry in Malaysia. Research has shown that an excellent employee service quality, IT competency system and blockchain adoption have a significant impact on the performance of logistics companies.

Currently, the application of blockchain is too new, there are no experimental results of implementation that reach the maturity needed to bring data to research. The latest scientific articles on implementing blockchain to retrieve information stop at theoretical analysis. On the basis of the advantages and limitations of the above studies, the author has proposed a research framework to

expand the UTAUT and TOE model to add new observational variables and perform quantitative testing on a new environment, Ho Chi Minh City, where no similar research exists.

2.4. Research model and hypotheses

This study aims to explore the factors influencing attitudes towards blockchain technology in the forwarding industry using UTAUT theory and TOE analysis framework, and examine the interplay between these identified factors with the intention of applying blockchain technology.

Therefore, this study proposes a conceptual research model of the factors influencing attitudes towards blockchain technology illustrated in Figure 1 and the hypotheses are empirically tested using the regression model.

2.4.1. Hypothesis development

Many studies have identified the factors of UTAUT that have a positive influence on the attitude to use information systems (Zakky, Z., 2018). The UTAUT model is an information system (IS) theory used to analyze the intentions and the behavior of users. The UTAUT model consists of four main constructs that predict the intention to adopt an IS – performance expectancy, effort expectancy, social influence and facilitating conditions. While the technology acceptance model (TAM) was proven to have about 40% the explanatory power, when its validity was tested in the business sector, including for logistics (Zakky et al., 2018) and supply chain management (Queiroz et al., 2020), the UTAUT model's explanatory power improved to about 70%, in addition to providing multiple predictors (Venkatesh et al., 2003). Thus, the UTAUT is more widely used when validating the intention to adopt logistics systems, application programs and new information technologies (Chan et al., 2012). Performance expectancy is defined as the degree to which an individual believes that using the technology will help them attain the level of work performance expected. Effort expectancy refers to the degree of ease associated with the use of technology. Social influence is the extent to which an individual feels that others believe they should use a new technology. Facilitating conditions is the degree to which organizational and technical infrastructure exists to support the use of new technologies.

Hypothesis 1 (H1): UTAUT factors positively influence attitudes towards blockchain.

The successful adoption of new technology is largely influenced by the organization's technological capabilities to varying degrees (Chan, 2013). In addition, the adoption and implementation of new technology requires organizational support, supported by technical infrastructure. With consistent organizational support, the intention to adopt innovation will increase (Lian, J.W., 2014). The basic factors related to infrastructure include: awareness of the need and interest in new technology and adequate human resources.

Tornatzky et al. (1990) proposed the TOE framework to analyze the factors influencing the selection and adoption of innovative information technology. The TOE model has been widely used by enterprises as an appropriate framework when analyzing the adoption of new technologies. It explains factors that influence the process by which a firm adopts information technology based on three constructs—technological context, organizational context, and external task environmental context (Chan, 2013). The technological context includes internal and external technologies that

are relevant to the adoption of innovation within the firm. The organizational context includes quality of human resources, complexity of managerial structure, degree of centralization, degree of formalization, and firm's size and scope. The external task environmental context includes industry concerned, firm's competitors, government policy and regulatory environment (Lian et al., 2014). The following studies explained the adoption of blockchain using the TOE framework. Crosby (2016) and Wang (2016) identified technological, organizational, and environmental factors influencing the adoption of blockchain within the TOE framework. Chen (2015) analyzed the effects of technological, organizational, and environmental factors on the intention to adopt information system using the TOE framework.

User concerns and opinions regarding the adoption of new technology are also important as post-implementation changes may occur, including internal transfers, changing tasks, and excessive learning burdens (Sun, S. et al., 2018). Based on these data, hypothesis is developed: TOE structure (technological and organizational context) affects attitudes towards blockchain technology.

Hypothesis (H2): TOE factors affect attitude towards blockchain.

Many studies have suggested a positive attitude as an antecedent in the relationship with the use intention. Attitude is considered as an important factor exerting a positive influence on the intention to adopt new technology and customer services (Venkatesh et al., 2003). Many studies have described attitude as a positive antecedent of the use intention (Queiroz et al., 2020). Based on the above discussion, a hypothesis is established that attitude will affect the use intention.

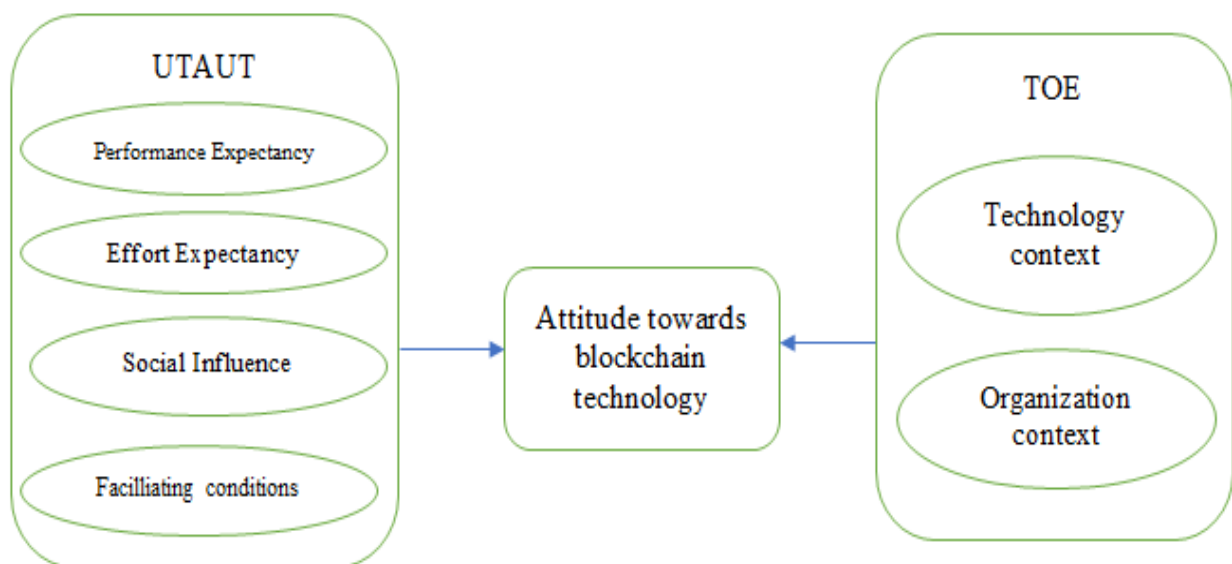


Figure 1. Research model

2.4.2. Data collection and methodology

As shown in Table 1, each factor is measured using survey questions developed based on the literature review.

Table 1. Research factors

Factor	Measures	Sources
Performance Expectancy (KH)	Blockchain will facilitate the use of many types of information (KH1)	Zakky and Teguh (2018) Venkatesh et al. (2003) Queiroz et al. (2020) Chan et al. (2012) Dulle and Minishi-Majanja (2011) Tornatzky et al. (1990) Chan and Chong (2013) Lian et al. (2014) Oliveira et al. (2014) Crosby et al. (2016) Wang et al. (2016) Sun et al. (2018) Chen et al. (2015) Zakky and Teguh (2018) Chan and Chong (2013) Lian et al. (2014)
	Blockchain will provide useful information for decision making (KH2)	
	Blockchain will help improve management performance (KH3)	
Effort Expectancy (KN)	I will try to apply (implement) blockchain (KN1)	
	I will learn how to apply (implement) blockchain (KN2)	
	I will be trained to apply blockchain (KN3)	
Social Influence (AX)	Blockchain has a good social effect (AX1)	
	Blockchain adoption encouraged by others (AX2)	
	The use of blockchain is becoming increasingly evident in the social context (AX3)	
Facilliating conditions (DT)	We have the necessary knowledge to apply blockchain (DT1)	
	We have the necessary resources to implement blockchain (DT2)	
	We are ready to deploy blockchain (DT3)	
Technology context (BC)	We have the right technology environment for blockchain (BC1)	
	We have the ability to deploy blockchain (BC2)	
	We can learn blockchain (BC3)	
Organization context (BT)	Management board is interested in blockchain adoption (BT1)	
	Management board recognizes that blockchain is necessary (BT2)	
	We have the right human resources to adopt blockchain (BT3)	
Attitude (TD)	I agree to the adoption (implementation) of blockchain (TD1)	
	I will accept any changes due to blockchain adoption (implementation) (TD2)	
	I will actively participate in blockchain adoption (implementation) (TD3)	

Source: compiled by the author

Factor Analysis (FA) is a statistical method used to reduce data. It is often aimed at simplifying an initially complex set of variables into a smaller set of variables in the form of factors. There are two basic types of factor analysis, which are exploratory factor analysis (EFA) and confirmatory

factor analysis (CFA). Exploratory factor analysis (EFA) is a quantitative analysis method used to reduce a set of many interdependent measurable variables into a smaller set of variables (called factors) so that they are significant, but still contains most of the information content of the original set of variables (Hair et al., 2009).

The goal of EFA is to identify data-driven factors and maximize the amount of variance explained. The researcher is not required to have any specific assumptions about how many factors will appear, and what items or variables these will include. If these hypotheses exist, they are not included and do not affect the results of the statistical analyses. In contrast, CFA evaluates hypotheses a priori and is largely theory-driven. CFA analyzes require the researcher to hypothesize in advance about the number of factors, whether these factors are correlated, and which items/measures affect and reflect which factors. Thus, in contrast to EFA, where all loads are freely variable, CFA allows an explicit limit of certain loads to be zero. And thus EFA is suitable for this study, when the concept of blockchain is new and Vietnamese freight forwarding companies are in the process of exploring the application of this technology as well as the goal of the study is to explore the factors that affect the attitudes of the freight forwarding companies towards blockchain.

Due to the application of EFA analysis method, the sample size is based on two factors: the minimum size and the number of measurable variables. The study crowd is enterprises providing freight forwarding services in Ho Chi Minh City. The study used simple random sampling method. The questionnaire was sent to businesses by email, fax and in person. The total number of questionnaires distributed was 300, collected 265 with the number of valid samples 253 corresponding to the rate of 84.3% used as research data.

Accordingly, the number of male and female respondents is 192 (76%) and 61 (24%). By age, those aged 40-50 make up the largest group (n = 229; 90.5%), followed by the age group over 50 (n = 21; 8.43%) and the age group 30-40 (n = 3; 1.07%).

By title, department heads are the largest group (n = 203; 80.23%), followed by assistant directors (n = 25; 9.9%), deputy directors (n = 18; 7, 1%) and director (n = 07; 2.77%).

As regulators with more than 10 years of experience accounted for the largest portion of the sample (91%), the sampling was deemed appropriate for this study, which was designed to explore the intention to adopt blockchain in forwarding. The survey sample characteristics are presented in Table 2 below.

Table 2. Survey sample characteristics

	Quantum	Ratio
Respondent's gender		
Male	192	76
Female	61	24
Respondent's age		
30-40	03	1.07
40-50	229	90.5
Over 50	21	8.43
Respondent position		

Manager	203	80.23
Director Assistant	25	9.9
Deputy Director	18	7.1
Director	07	2.77

Source: author's data

3. RESULTS AND DISCUSSION

3.1. Result

3.1.1. Test the scale using Cronbach's alpha reliability coefficient

The results of Cronbach's alpha analysis (Table 3) show that most of the scales have Cronbach's alpha coefficient greater than 0.6 and the total correlation coefficients greater than 0.3 (Hair et al., 2009). Therefore, with standard scales, reliability assurance will be included in the EFA exploratory factor analysis.

Table 3. Cronbach's alpha reliability analysis results

Factors	Number of variables	Cronbach's alpha	Corrected Item - Total Correlation	Conclusion
Performance Expectancy	3	0,790	0,522 – 0,730	Yes
Effort Expectancy				
Social Influence	3	0,684	0,477 – 0,561	Yes
Facilliating conditions	3	0,668	0,442 – 0,519	Yes
Technology context	3	0,874	0,681 – 0,817	Yes
Organization context				
Attitude towards blockchain technology	3	0,891	0,809	Yes (remove BC3)
	3	0,956	0,915	Yes (remove BT3)
	3	0,663	0,416 – 0,563	Yes

Source: author's data

3.1.2. Exploratory Factor Analysis (EFA)

From the results of KMO and Barlett's test, we have a KMO coefficient of 0.683, greater than 0.5 and sig of 0.000, less than 0.005. Total Variance Explained results show that the total variance extracted is 73.571%, greater than 50% and Pattern Matrix results show that all Factor loading are greater than 0.5 and are grouped into 05 factors.

Table 4. Rotated Component Matrix^a

	Component				
	1	2	3	4	5
BC1	.900				
DT2	.880				
DT1	.877				
BC2	.851				
DT3	.643				
KH3		.870			
KH2		.868			
KH1		.692			
BT1			.933		
BT2			.901		
KN1				.844	
KN2				.724	
KN3				.698	
AX3					.844
AX2					.737
AX1					.654

Extraction Method: Principal Component Analysis.
 Rotation Method: Varimax with Kaiser Normalization.
 a. Rotation converged in 6 iterations.

Table 5. Exploratory factor analysis (EFA) results

Factor	KMO	Sig.	Average Variance Extracted	Factor Loading
	0,683	0,000	73,571 %	
Performance Expectancy (KVHQ)				0,692 – 0,870
Effort Expectancy (KVNL)				0,698 – 0,844
Social Influence (AHXH)				
Favorable technological conditions (DKTL)				0,654 – 0,844
Organization context (BCTC)				0,643 – 0,900
Attitude towards blockchain technology (TDCN)				0,901 – 0,933
	0,638	0,000	60,764%	0,723 – 0,832

Source: author's data

Multi-regression analysis is an extension of simple linear regression. It is used when research wants to predict the value of one variable based on the value of two or more other variables. The variable that the research wants to predict is called the dependent variable (Attitude towards blockchain technology). The variables that the research is using to predict the value of the dependent variable are called independent variables (Performance Expectancy, Effort Expectancy, Social Influence, Favorable technological conditions, Organization context). Multi-regression analysis allows the study to determine how much, little or no contribution each factor contributes to the change of the dependent variable. This is the reason the study conducted multivariate regression analysis to determine which factors affect and do not affect the dependent variable (Attitude towards blockchain technology) and how much of the impact.

a. Correlation coefficient test (r)

Table 6. Correlation coefficient matrix

Correlations		TDCN	DKTL	KVHQ	BCTC	KVNL	AHXX
TDCN	Pearson Correlation	1	.336**	.082	.517**	.082	.166**
	Sig. (2-tailed)		.000	.001	.000	.195	.008
	N	253	253	253	253	253	253
DKTL	Pearson Correlation	.336**	1	.181**	.370**	.181**	.236**
	Sig. (2-tailed)	.000		.004	.000	.004	.000
	N	253	253	253	253	253	253
KVHQ	Pearson Correlation	.082	.181**	1	-.047	1.000**	.267**
	Sig. (2-tailed)	.195	.004		.456	.000	.000
	N	253	253	253	253	253	253
BCTC	Pearson Correlation	.517**	.370**	-.047	1	-.047	.053
	Sig. (2-tailed)	.000	.000	.456		.456	.400
	N	253	253	253	253	253	253
KVNL	Pearson Correlation	.082	.181**	1.000**	-.047	1	.267**
	Sig. (2-tailed)	.195	.004	.000	.456		.000
	N	253	253	253	253	253	253
AHXX	Pearson Correlation	.166**	.236**	.267**	.053	.267**	1
	Sig. (2-tailed)	.008	.000	.000	.400	.000	
	N	253	253	253	253	253	253

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

According to the results of the analysis, the relationship between the independent variables DKTL (Favorable technological conditions), BCTC (Organization context), KVHQ (Performance Expectancy) and the dependent variable TDCN (Attitude towards blockchain technology) is closely related.

b. Multiple regression analysis

Regression analysis was performed with 3 independent variables, including DKTL (Favorable technological conditions), BCTC (Organization context), KVHQ (Performance Expectancy) and the dependent variable TDCN (Attitude towards blockchain technology). The Enter method is used to perform this relationship analysis. Variables with significance level < 0.05 were selected.

Table 7. Summary model using the Enter method

Model Summary ^b					
Model	R	R Square	Adjusted Square	R Std. Error of the Estimate	Durbin-Watson
1	.540 ^a	.692	.686	.39561	2.118

a. Predictors: (Constant), BCTC, DKTL, KVHQ

b. Dependent Variable: TDCN

We have an Adjusted R Square of 0.686, which means that the three independent variables Favorable technological conditions, Organization context, Performance Expectancy affect 68.6% of the change of the dependent variable Attitude towards blockchain technology, the rest are due to external factors out of model and random error.

The Sig value of the test is 0.000 (< 0.05). Thus, the linear regression model can be generalized and applied to the population.

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	16.121	3	8.060	51.501	.000 ^b
	Residual	39.127	250	.157		
	Total	55.247	252			

a. Dependent Variable: TDCN

b. Predictors: (Constant), BCTC, DKTL, KVHQ

Coefficients ^a							
Model	B	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics
		Std. Error	Beta				
1	(Constant)	2.455	.175		14.053	.000	
	DKTL	.132	.045	.168	2.927	.004	.863
	BCTC	.297	.036	.455	7.656	.000	.823
	KVHQ	.290	.033	.253	7.946	.000	.865

a. Dependent Variable: TDCN

To perform the linear regression analysis step, the model must ensure that there is no multicollinearity, because "multicollinearity makes our assessment of the impact of each independent variable on the dependent variable may be biased" (Hoang & Chu, 2008). The test that there is no multicollinearity detected through the VIF variance magnification system of the factors 1,159 (< 2). It can be concluded that no multicollinearity occurs.

So the linear regression equation standardized as follows:

Attitude towards blockchain technology = **0.168** (Favorable technological conditions) + **0.455** (Organization context) + **0,253** (Performance Expectancy)

3.2. Discussion

Regarding the attitude towards blockchain, the study shows the perception of freight forwarders in Ho Chi Minh City towards blockchain technology. In a validated model using

UTAUT's factors including Performance Expectancy, Favorable technological conditions show a significant influence on Attitude towards blockchain technology. This result is consistent with the findings of Zakky and Teguh (2018) and Queiroz et al. (2020). The analysis shows that TOE factors including Technology context (content transferred into Favorable technological conditions) and Organization context, have a significant influence on Attitude towards blockchain technology. This result is consistent with the findings of Chan and Chong (2013) and Lian et al. (2014). The results show that Attitude towards blockchain technology is influenced by the company's level of technological competence and support within the organization. Although there are more impacts that inhibit than facilitate, interest in blockchain is quite high, which is reflected in the test results: two main factors affecting Attitude towards blockchain are Performance Expectancy (0.253) and Organization context (0.455). However, the research results show that freight forwarding companies in Ho Chi Minh City have a positive attitude towards blockchain technology with only theoretical knowledge of blockchain. These companies have acknowledged the importance and advantages of blockchain technology in the future.

At the same time, freight forwarding companies in Ho Chi Minh City expect the application of blockchain to bring high performance to the logistics supply chain (0.253). They argue that if it is possible to sign contracts soon without the parties knowing each other, the market will be very efficient through smart contracts. They are eager that in the future it will be possible to automatically negotiate and conclude contracts through an interlinked transport management system and supply chain management system. This result corresponds to the study by Blossey et al (2019) that the support chain coordination system is a blockchain-based innovation.

The exclusion of Effort Expectancy and Social Influence factors shows that most of the freight forwarding companies in Ho Chi Minh City do not fully understand the use of blockchain technology. This shows that the majority of freight forwarders in Ho Chi Minh City have not had much practical experience with blockchain technology. This result adds to the study by Hackius and Petersen (2017), who demonstrated that logistics companies have difficulty in understanding blockchain use cases, some logistics companies can identified and implemented the first use cases but so far they have not made a final adoption decision. The majority of freight forwarders in Ho Chi Minh City have been working on different use cases but are still confused which process should be done with the help of blockchain. To overcome this situation, freight forwarding companies in Ho Chi Minh City should work together more closely, forming a blockchain protocol consisting of a number of participating companies with the goal of sharing knowledge about blockchain and smart contracts, researching the application of blockchain for financial transactions, in-company bill payments, order processing processes, and tracking and tracing of raw materials from production to consumption. use and gradually move towards standardization for a specific tracking and tracing system that integrates data to start using smart contracts for payments.

The removed Social Influence factor is explained by controversies caused by losses from investment or speculation in cryptocurrencies like Bitcoin, from illegal transactions from March 2021 to present. Most of the managers in the forwarding industry are afraid of the data security

and privacy issues of blockchain technology. This level of apprehension has greatly influenced the social influence factor. In blockchain, each transaction can be traced, audited; every user can be identified by their public key or the block's code. As a result, blockchain technology enhances supply chain transparency and helps build consumer trust. However, it also negatively impacts the protection of user privacy (Reyna et al., 2018). Many efforts to protect privacy in blockchain have been made such as obfuscating transaction relationships to prevent tracking or analysis, hiding the identity of senders and recipients through complex cryptographic scheme and obfuscate transaction contents while preserving verifiability and computation. To ensure transactions are not easily tracked to any given person or computer, methods such as: Hidden Address, Pedersen Commit, Ring Signature, Homomorphic Encryption are applied (Hamid et al., 2020). Kosba et al (2016) addressed these privacy issues differently through the use of encrypted transactions. Hawk - a decentralized smart contract responsible for translating common code written by programmers into cryptographic originals as zero-knowledge proofs to maintain transaction privacy. Although there are researches and solutions to improve the security of blockchain technology, most managers in the forwarding field are still not completely convinced, partly because the information about blockchain is constantly contradicting, partly because the knowledge about blockchain of the managers in the forwarding industry is lacking and weak.

4. CONCLUSION

This study empirically analyzed the factors affecting the attitude towards blockchain adoption in the forwarding sector. Specifically, the study identified the factors influencing attitudes towards blockchain adoption in the forwarding sector using UTAUT and TOE frameworks and examined the effects of reciprocal causality between these factors. In a validated model using UTAUT's factors including Performance Expectancy, Favorable technological conditions show a significant influence on Attitude towards blockchain technology. TOE elements include Technology context (content transferred into Favorable technological conditions) and Organization context, which have a significant influence on Attitude to blockchain technology. Meanwhile, factors Social Influence and Effort Expectation do not affect Attitude towards blockchain technology of Ho Chi Minh City forwarders. From the results of testing the factors affecting attitude towards blockchain technology, it shows that freight forwarders in Ho Chi Minh City are just observing blockchain technology and the market. These companies are mainly in a waiting position. The study suggests that freight forwarders in Ho Chi Minh City should focus more on blockchain technology and define their own use cases as there will not be any available blockchain models or sectors which is suitable for each logistics service provider. Despite the theoretical and practical contributions mentioned above, this study has one limitation, which is because the application of blockchain in Vietnam in the forwarding industry is at an early stage, the lack of respondents' understanding of how technology works hindered the generalization of survey results. If future studies can conduct surveys based on a better understanding of respondents' knowledge and perception of blockchain, the conclusions will be more general.

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INNOVATION OF POLICY MECHANISM TO PROMOTE PRIVATE ECONOMIC DEVELOPMENT

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Abstract: *The economy of our country is in the midst of a very weak process, and it has a lot of money from all the managers in the country. In this series, the small economy has played a leading role, but the companies for the investment fund have been participating in the economic cooperation. The economics of using different types of systems, operating flexibly, and solving many problems, in the past few years, have been dealt with. Employment for workers in the small economy is only a matter of agreement. The economy of the use of the economic system, aligns with the needs of the end-users, and the net use of the capital used. The article deals with the renewal of mechanisms and policies to promote the development of the private economy through the following contents: the role of the private economy, the situation of private economic development in our country and the direction to complete it. improve mechanisms and policies for private economic development*

Keywords: *economy, private economy, state economy, private sector*

1. INTRODUCTION

Over the years, the Party and State have issued many guidelines and policies to create conditions for the private economy to develop, gradually becoming an important driving force of the economy. In order to continue promoting the development of Vietnam's private economy in the socialist-oriented market economy, the Party and State need to synchronously implement the following solutions: creating a favorable business environment; take measures to support technology, education and training...; developing the relationship between the State and the private sector, between domestic and foreign private individuals; renovating financial and banking mechanisms and policies; strengthen the management, inspection and supervision of the State over the production and business activities of the private economy... Resolution of the Fifth Conference of the Central Committee (IX term) determined "The private economy is an important component of the national economy. The development of the private sector is a long-term strategic issue in the development of a socialist-oriented multi-sector economy, making an important contribution to the successful implementation of the central task of economic and public development. industrialization, modernization and improvement of the country's internal resources in international economic integration". Private economy here includes individual economy, small owner and private capitalist economy. "In terms of ownership relations, the individual economy, the smallholder economy and the private capitalist economy all belong to the same type of private ownership, which is different from the people's ownership and collective ownership. Although theoretically, the individual, smallholder and private capitalist economy are two different economic sectors, differing in the level of development of the productive forces and the nature of production relations".

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2. THE PRIVATE ECONOMY AND THE ROLE OF THE PRIVATE ECONOMY

The first important milestone for the private sector was Resolution No. 14-NQ/TW dated March 18, 2002 of the Fifth Conference of the Central Committee (the IX session) "On continuing basic renovation mechanisms and policies to encourage and create conditions for the development of the private economy". That private economy is officially encouraged to develop with many important solutions. Resolutions of the Party congresses continue to affirm and emphasize the role of the private sector. The 5th Conference of the Central Committee of the Party (term XII) issued Resolution No. 10-NQ/TW dated June 3, 2017 on "Developing the private economy to become an important driving force of the market economy. socialist orientation" .

The private economy is an economic type based on private ownership of the means of production with the labor of the producer himself and the employed or fully employed labor, with different sizes of capital, labor, technology operating in the form of individual business households and private enterprises, limited liability companies, joint stock companies, and joint ventures. These are popular forms, which have been strongly developed in recent years with different sizes and levels. The private economy has a special advantage when using diversification of specific economic forms in the process of developing a weak economy like ours. It not only acts as a process channel to arouse, mobilize and exploit the great potential of capital, labor, management experience, intelligence and business ability, information exploitation and other resources. other resources for economic development... to adapt to the flexible changes of the domestic and foreign business environment. The private economy directly plays a process role in creating more jobs for the society, solving unemployment, contributing to hunger eradication and poverty alleviation, improving the people's material and spiritual life, mobilizing more and more resources for the country's socio-economic development...

3. SITUATION OF PRIVATE ECONOMIC DEVELOPMENT

In recent years, thanks to the process of economic renewal and the democratization of socio-economic life, our country's private economy has continuously expanded its scope of activities, making significant contributions to promoting growth. economy and solve many pressing social problems. According to incomplete statistics in 2021, the whole country has nearly 2167.3 thousand private economic establishments, an increase of 130.7 thousand establishments compared to 2020, of which 29548 are private enterprises, an increase of 9276 enterprises and above 2137.7 thousand individual establishments (excluding agriculture, forestry and fishery) increased by 121.4 thousand establishments. As of December 2020, private economic establishments have 4643 employees working, up 20.1% compared to 1996 and have nearly 173,000 billion VND of capital being used for production business (private enterprises 16,000 billion VND). Due to such a scale of operation and potential, the private sector annually attracts tens of thousands of employees (in 2020 it will attract an additional 3.1 thousand employees, in 2021 it will add 90,000 employees), creating about 40% of the total GDP. domestic products and contributed 6.4 trillion dong). The above statistics confirm that the private economy in our country is an internal resource in the process of accelerating the country's industrialization and modernization. The private economy has a remarkable growth in number, developing widely throughout the country and in individual industries by 2021, to 9.8 million

households with 20.1 million employees. In which, there are 7.7 million non-cooperative agricultural households (with 16.3 million employees) and 2.1 million non-agricultural business households. The number of business households can be widely distributed in industries, especially in agriculture, handicrafts, and fishery. In the industry with the VAC model, the farm economy contributes to creating jobs, increasing income significantly, farms attract 363,048 workers, contributing to economic restructuring from purely agricultural, breaking the monopoly position. farming, especially creating models of industrial plants, specialized for export. In the handicraft industry, traditional industries have been aroused, especially the export of bamboo and rattan, wooden handicrafts - have been exported to many countries. The aquaculture industry with the shrimp farming model of households really creates high economic efficiency for export. The Resolution of the IX Party Congress affirmed that "Individual and smallholder economies both in rural and urban areas have a long-term position. The State facilitates and helps develop, encourages various forms of organization. voluntary cooperation, satellite for businesses or larger development". In urban areas, the individual economy really plays a very process role, the service business and small goods production are very suitable for the vibrant and flexible environment to generate income for many households. The state facilitates by providing capital support.

The number of private enterprises has also increased rapidly, especially since the implementation of the Enterprise Law. More than 36,000 small and medium-sized private enterprises have been registered since the beginning of 2021, compared with 6,000 registered in the previous two years. Of which, about 92% are in the non-agricultural sector. It is worth noting that nearly 70% of newly registered SMEs are new organizations, which indicates a significant amount of new investment. In the next few years private sector activity is expected to increase even more. This shows that investors' confidence in the official system has been significantly increased. The development of the private economy directly plays a role in the process of creating many jobs for society. In 2021, according to statistics of specialized agencies, the private sector accounts for 56.3% of the total number of full-time employees in the country. In which, non-agricultural workers accounted for 22%, agricultural workers accounted for 78%, it is worth noting that in 2018 - 2021 this sector will attract 977019 additional workers, 6.6 times more than the domestic economic sector. Labor in individual business households accounts for 81.9% of agriculture alone, farms have 363048 employees, accounting for 2.22%. Labor in the private sector accounts for a relatively high proportion, plays a great role in creating jobs, but the proportion in agriculture is so large that it has not really changed the structure of employment. The state sector's ability to create more jobs is limited in terms of attracting labor. The larger the legal business scale, the more important it is that it is the way to create demand and increase the demand for labor. Businesses that are expanding in quantity and quality require human resources with solid professional qualifications. However, in our country, there has been a very painful situation for society and a large number of working families because "the supply of labor is very large, but the demand is not strong enough", so many people have not had the opportunity to find a job, the more difficult it is to find a suitable job. For many years now, agriculture still holds the proportion of over 60% of social workers, making farmers' lives very well improved. Many low- and middle-income families, mainly farmers, are draining their investment capital for their children's education and finding agricultural jobs. Millions of workers, men and women have spontaneously embarked on migration and migration to

find a livelihood, accepting all difficulties to find a job with income. All classes of working age are trying to find a job, having a stable legal job is life-changing. That fact proves that our country's workers are very dynamic, hard-working and patient. At the same time, it also shows that policies and social environment are not enough to increase labor demand at a high and reasonable rate. Currently, due to the lack of capacity, the Constitution cannot set the task of the State and society to ensure the right to employment of citizens, much less unemployment insurance for all workers. This burden is forcing families to fend for themselves.

It is on that road that our country must as soon as possible reach a level of development where the demand for labor is greater than the supply, which means that labor is scarce, especially labor with high quality. Only then will labor income be certain to reach a high level, unemployment insured throughout society. Thus, strongly developing a multi-sector market economy in line with the Party's policies and the State's laws is the way to build and fully employ workers with increasingly high qualifications and quality in order to pursue self-reliance. cause, happiness and comprehensive development of people and working communities. The development of the private economy in Vietnam has really contributed to hunger eradication and poverty reduction, improving the material and spiritual life of the people, mobilizing more and more resources for socio-economic development. of the country. In 2021 alone, the registered capital of businesses in this area increased more than 4.5 times compared to 2018, reaching VND 13831 billion, investment capital for private economic development increased by 13% compared to 2018, accounting for a significant proportion of the total investment capital of the whole society. Private economy investment equitization. On the general level of society, the development of the private economy in recent years has directly contributed to the increase of the State budget, significantly contributed to the increase of GDP of the whole society, accounting for 42.26% of GDP all society. In which, business households account for 34.8%, non-cooperative farming households are 15.08%, non-agricultural individual business households are 19.72%. The private sector contributes 16.9% of the total budget revenue. Every year, the private economy attracts tens of thousands of new workers (in 2018 it attracts an additional 3,100,000 workers, in 2021 it adds 9,000 workers), generating about 40% of the gross domestic product and contributing to the State budget. over 6000 billion VND. Specifically, excluding the employees working in enterprises with large capital, the laborers in households and small production establishments have a certain income, stable life and income. Their income is sometimes mainly from those sources, which is quite a large part, helping them to get out of persistent poverty, which is an encouraging sign of this economic sector. The eradication of poverty in our country has been very successful in rural, midland and mountainous areas, this is a high proportion of the population, the poverty rate was quite large before but now it has decreased. Much has been achieved thanks to the right policies of the State with economic models suitable to people's conditions such as loans, technical assistance and direction, which has opened up a life that is not yet full but This is a good sign for many households in coastal areas to encourage aquaculture.

The private economy contributes to the process of promoting economic restructuring, improving the economy's competitiveness, and increasing the scale of export turnover. With its own characteristics and advantages, the development of the private economy directly arouses many traditional industries in industries and regions in localities, creating a wide variety of goods, richness

and supply. more goods for export. The traditional trades are wooden handicrafts, ceramics, bamboo and rattan, lacquer paintings... have resonated in the international arena. In 2021 alone, according to the statistics of the General Department of Customs, the direct import and export turnover of the region and non-agricultural sectors in the private economy has increased significantly. Through the expansion of production, improving the competitiveness of each enterprise in this region, in the condition that the country's economy increasingly participates more fully in the process of integration with the region and the world, helping to for stronger economic restructuring. The integration process has a great impact on economic restructuring, increasing industries with high technical content, especially the information technology industry, the biotechnology industry in the future will be very developed. serving for export also increased sharply, the private companies with foreign countries tended to increase. Competitive product industries can exploit comparative advantages in regions and regions that are focused on development, so that the competitiveness of the economy in general is also improved. development is exploited more effectively.

4. DIRECTIONS TO IMPROVE MECHANISMS AND POLICIES FOR THE PRIVATE ECONOMY

The Resolution of the IX Party Congress affirmed: "Individual and smallholder economies in both rural and urban areas have a long-term position, encouraging completely voluntary forms of organization, serving as satellites for the enterprises or larger development, encouraging the development of the private economy widely in production and business lines that are not prohibited by law, creating a favorable business environment in terms of policies and legislation for the private economy. private capital development on the priority orientations of the State, including investment abroad". Thoroughly grasping the viewpoint of the Resolution of the IXth Party Congress, the 5th Plenum of the IXth Central Committee assessed the situation and decided on directions and solutions to create favorable conditions and support the strong development of the private economy. more strongly, without limiting the development of the private economy in sectors and fields not prohibited by law, and at the same time guiding and managing the activities of the private economy to ensure the socialist orientation of the economy. Thus, the State has promulgated policies and laws, creating a favorable business environment and encouraging development, which are priorities to help private enterprises have a solid foundation and confidence to operate. such support has really been a lever that has had a great impact on the development of this economic sector has been a lever that has had a great impact on the development of this economic sector has had great opportunities. clear legal framework.

In order for people to rest assured to invest capital to build new production and business establishments or expand the scale of existing ones, the State must concretize policies and guidelines by legal documents such as business law, economic law, the law on transfer, the law on labor hire tax, etc., at the same time, the business registration system, accounting, statistical, tax and economic contract must be completed, and the relationship of 3 interests must be satisfactorily resolved. State - business owner - employee. The State must have solutions to support this economic sector in training business owners as well as popularizing jobs and improving skills for workers. Because this is one of the weak points of this economic sector in our country. The State has been building and implementing a system of economic and business laws in order to implement the Party's policies, encourage people to open up legal businesses, according to socialist-oriented goals. The

most basic requirement for everyone doing business and doing business is to “obey the law” including the Labor Law. This is not only a basic requirement but also a very high requirement, which is an indispensable requirement for a unified basic business and labor law system for a type of enterprise. To implement specific mechanisms and policies, the State has financial solutions for the development of the private economy.

Firstly, amending the Law on Domestic Investment Promotion (1998) to implement investment incentive policies for a number of industries, fields and areas of investment, including outward investment, regardless of members. economic part.

Second, the State also allows private enterprises operating under the Enterprise Law to participate in cooperation and joint ventures with foreign companies in Vietnam. It also allows overseas Vietnamese and foreigners permanently residing in Vietnam to contribute capital and buy shares of Vietnamese enterprises with a rate not exceeding 30% of the enterprise’s charter capital.

Third, the State stipulates simpler business registration procedures than before for newly established enterprises, abolishing about 160 business licenses of all kinds, many industries no longer regulate the level of legal capital.

Fourth, the State has taken solutions to gradually remove difficulties and obstacles in investment procedures when borrowing state concessional credits, has policies to encourage the development of rural industries, encourages and protecting the farm economy, developing aquatic breeds, the banking system has made efforts to remove barriers in lending to the private sector, regardless of economic sectors. Investors who are allocated land by the State with land use levy are entitled to incentives on land use rights in the form of 50% reduction of payable amount depending on each case, exemption from payment, land use levy, and land tax, lease land use up to 15 years. The State contributes capital to production and business establishments of all economic sectors through SOEs or State credit institutions. If the enterprise’s project is feasible, financial funds such as the development support fund and the credit guarantee fund will lend the enterprise loans at preferential interest rates. The State shall establish development support funds, export guarantee funds, and export support or commendation funds. These funds guarantee loans with preferential interest rates or provide loan guarantees for priority subjects. The State encourages commercial banks to lend to businesses. The commercial banks that implement the lending mechanism at the agreed interest rate have completely eliminated the distinction between businesses of all economic sectors, complying with the law of supply and demand in the market. In tax policy, there is no distinction for businesses in all economic sectors, along with the issuance of new tax laws, the tax sector has had many administrative reforms, reduced troubles, and created favorable conditions for tax authorities. business organizations and individuals in the performance of tax payment obligations. Incentives in income tax only apply to investors in preferential sectors.

From there, there are directions to improve financial solutions to promote private economic development. With the guiding ideology of the State: maximally encouraging, without limiting the widespread development of the private economy in sectors and fields not prohibited by law, the State orients and creates favorable conditions, support the development and management of the private economy in accordance with the law, equally for all economic sectors. Financial direction and solutions are:

Firstly, financial solutions to promote must be an integral part of the system of solutions for private economic development in Vietnam. To develop the private economy, it is necessary to use a combination of economic, administrative and educational solutions. Therefore, the complete construction and implementation of financial solutions must be included in the overall solution, there is a smooth coordination between them to ensure the common goal of developing and improving the operational efficiency of the area. private economic sector.

Second, financial policies and solutions must aim to remove difficulties, obstacles and barriers that limit the development of the private economy, mobilize and develop in the direction of a socialist-oriented market economy. . In the immediate future, mechanisms, policies and financial solutions must focus on removing the difficulties in capital in terms of creating premises for production and business, in supporting the development of science and technology, information, trade promotion, etc. on the creation of a favorable and open legal and socio-psychological environment for the development of the State economy.

Third, financial solutions policies must ensure consistency and stability in a certain period of time, and step by step towards equality and unity among economic sectors. The State has implemented financial solutions to promote private economic development. Firstly, solutions on capital and credit, in order to create favorable conditions for enterprises of the private economic sector to solve difficulties in capital, it is necessary to implement some solutions to eliminate the situation of foreign investors. unequal treatment in practice in borrowing capital between enterprises of the private economic sector and SOEs. This requires the efforts of businesses and commercial banks so that it has closer cooperation to solve the above problem. For businesses, on the one hand, they must find all ways to improve business efficiency and financial capacity, meet the requirements of collateral when borrowing capital to the highest level to ensure credit principles. On the other hand, it is necessary to actively build feasible projects and business plans because this determines the success of the business and preserves capital for the lender.

Fourth, continue to innovate and perfect the credit mechanism and guarantee loans to both meet the development requirements of the private economy, in line with the current social and market conditions. Supplementing land use rights as credit security, mortgage issues regarding the value of land use rights, scope of loan security, loan security contracts, regulations on securing loans formed from capital Loans need to be considered and supplemented to suit current conditions. Accelerate the formation of a credit guarantee fund for small and medium enterprises. Establish and strengthen relationships between private enterprises and organizations and individuals providing informal credit services. Accelerate the formation of a stock market or a decentralized market. Promote financial leasing activities for private enterprises through diversifying leasing activities, strengthening consulting activities for businesses on issues related to financial leasing.

Fifth, Financial solutions create favorable conditions for production and business for businesses to remove cumbersome procedures to soon hand over land use right certificates for the land areas that households households for use as residential land, agricultural, forestry and fishery production land allocated by the State without collection of money, amending regulations so that residential land has been granted land use rights, land being used as production and business premises or land Enterprises that have acquired land use rights or have been allocated land with collection of land use levy are eligible for certificates.

Sixth, Tax, accounting and auditing policies continue to research and perfect tax policies towards: ensuring fairness and equality among economic sectors, simplicity, clarity and facilitation for production and business establishments, minimizing troubles and negatives. Strictly comply with tax laws, invoices and vouchers. Implement a simpler mode of declaration and payment of VAT for business households to suit the business scale and management level. Researching and promulgating financial management regulations for private enterprises, creating a legal basis for the management of the State and enterprises.

5. CONCLUSION

The article has clarified the State's specific policies and solutions to promote the development of the private economy. Those policies and measures clearly and specifically make this economic sector more and more vibrant, occupying an important position in the economy in many aspects. That reflects the flexibility and vision of the Party in developing the country's economy, in the current competitive era, in order to get rid of the underdeveloped economy, the State must have the right orientations. but the above solutions partly show that correctness. The problem is how the implementation of the State and the people, how effective it is will be tested in reality, but in the immediate future, the mechanisms and policies that are appropriate in the transition of the economy are still many disadvantage.

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BUILDING FRAMEWORK BUSINESS ANALYSIS TOWARD TO DIGITAL TRANSFORMATION IN COMMERCIAL BANKING

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Abstract: *The wave of Digital transformation in commercial bank is explosive which provides new valuable services, increasing customer's experiments and optimizing business processes. However, despite of successful projects, a series of plans were fail cause to waste of financial budgets even dropdown reputation of banks. One of the main reason is disregards of business analytics during implementation digital transformation projects. For this reason, these products or services crease a gap between expected requirements and demanded feature of digital service and product. In this article, I propose a business analysis framework oriented to digital transformation for commercial banking projects and the framework is applied to analyze the credit processes of individual customer toward digital transformation.*

Keywords: *Digital transformation; BA framework; loan process; credit bussiness.*

INTRODUCTION

Digital transformation (DT) in banking is the integration of digitization and digital technology into all banking sectors. This integration enables creation or modification of existing business processes, culture and customer experience to meet changing market requirements and customer desires. Digital transformation assists banks save costs and streamline operational processes. This integration also makes for an easier and more engaging customer experience. However, in the process of digital transformation, the banking industry also faced some difficulties.

Statistics find out the digital transformations in bank are extremely vibrant. A Survey of state banking for Vietnamese commercial banks figures out digitalization assist these banks saving 60-70% expenditure. Once these bank have accessed to digitization, they tend to approach more and more deeply with digital banking services, integrating multi-dimensionally in providing full-service financial services. Almost bank currently are undergoing the second level of DT that tends to automat business processes, some bank toward to digital infrastructures and transfer from financial background into technology background named to Digital banking. Although DT process of each commercial banking are personalized, most credit institutions are aware of digital transformation; of which 42% are developing a digital transformation strategy; 28% have been implementing digital transformation strategies integrated with business strategies; 11% have approved and implemented their own digital transformation strategy.

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Based on the actual situation of commercial banks, some challenges that commercial banks are facing in the digital transformation process are:

- Firstly, the human resources: Despite of demand of human resources to operate and develop digital products and services on modern platforms. the number of employees that have sufficient knowledge, vision and skills to realize the digital transformation of banking in Vietnam is not much while the market is very huge – according to the general opinion of bank’s chairman.

- Second, Banking data: there are many types of data in the system; complex business logic however the cognition of data is limit.

- Third, Banking technology, although core banking have been a backbone of all banking business, there is a significant gap comparison between standard of the region and the world.

- Fourth, Bank’s financial potential: To carry out the digital transformation process, banks have to spend a lot of money on investment in technology, human resource training, operate and complete the applications

- Fifth, network security In the Fourth industrial revolution(4IR), the explosion of technology, such as: Big Data, Cloud Services, AI, Connecting thing through the Internet.....Banks are coping with a lot of risks and dangers of information insecurity

- Sixth, infrastructure: In the past time, the infrastructure for digital payment has been invested heavily but still lacks synchronization

- Seventh, Legal corridor Digital transformation urgently needs a full legal corridor, but so far, some experts say that the legal corridor on Fintech, peer-to-peer lending, etc. is still incomplete and should be issued earlier

To overcome these challenge, Business analysis in banking are emergency. Business analysts correctly identify the really digital transformation problems, requirements in banking, gather and survey all existing business processes in order to model and find out limitations and outline solutions. Due to characteristics of banking digital transformation projects, variety of methodology for BA process are implemented to adapt digital transformation project. Some DT projects tend to traditional approaches in which focus on demand and attitude of leaders, therefore toward to changes or digitalize. Others started from the requirement of customers or marketing trends, in which the marketing discovery teams are analyses marketing data and customer behavior to find out the new services or products based on data analysis. Other focus on refer to new trends or services of competitors or partners. Critical analysis are apply to find out the strength and limitations. From that new services are released.

Based on surveys all implemented or implementing project, we are figure out a BA method for banking digital transformation project. This method based on the integrated between data analysis and business analysis that are overcome limitation of all currently existing BA process from that business analyst are easy to approach new project in both opposite site: product owner and business analyst. According to this Ideal the paper are organized into 3 parts beside introduction and conclusion. The second part we introduce the business analysis framework for digital transformation banking. The third part introduces Applying this framework for specific digital transformation project. The four part discuss advantages and disadvantages of frameworks.

2. BUSINESS ANALYSIS FRAMEWORK FOR DIGITAL TRANSFORMATION BANKING.

2.1. Overview the framework



Figure 1: BA banking process toward to digital transformation

A list of steps of BA banking process toward to digital transformations are illustrations in figure 1. There are 5 steps in this process. Comparing other BA process this frame work is not only focus on business process analysis but also market collection and customer behaviors data analyzing. This framework are suitable both BA of Banking and BA of outsourcing. Detail of each steps are presented in below.

2.2. Idea and brain storming

Because Digital transformation is innovating day by day so that the Banking is no exception. Due to the competition of commercial banks in many fields, each creative concept will be a key to develop the bank strengths. Therefore, each banks have to establish a concept innovation department which have a responsibility for finding and updating, exploring, developing concepts through different methods or techniques. Some methods can be considered are:

- Consulting the CEO, Chairman or some persons who have a huge experiences in order to acquire knowledge
- Referring some products and services of others bank ‘products unit
- Updating the trend of society and community

These creative concepts need to be “brain storming” in order to assess the feasibility of them. One of the most important rules of “Brain storming” is that member ‘ideas can only be added without evaluating. The evaluation will create the limit of member’s imagination and their ideas will be leaded or biased towards subjective opinions. Critical thinking is also essential to ensure that each concepts always have conflicting opinions.

Finally, the feasibility of products or concepts should be assessed by a small group of creative and responsible persons. The team leaders are usually arrange some meeting with some persons who have a lot of experiences about creating content so that they can have a perfect idea draft for the next step.

2.3. Pre-feasibility and efficient evaluation

In case the pre-feasibility report must be approved according to the provisions of law, after being approved, the investor can start building a detailed and complete report in the direction selected in the pre-feasibility report that is Feasibility Report.

Analytical methods used for the pre-feasibility report include:

SWOT analysis is one of the 5 steps that make up the business strategy of an enterprise, including: establishing business principles, SWOT analysis, defining strategic goals, forming goals and plans strategic planning, determining the strategic control mechanism; SWOT a well-known model in business analysis of enterprises. Because the digital transformation project requires a significant amount of resources, the implementation needs to be accompanied by a change in business strategy to create new concept. SWOT analysis is necessary to identify business strengths and weaknesses that need to be overcome, thereby targets of digital transformation projects correct.

The Canvas model is a strategic graphic framework that helps to represent and systemize information. The goal of the Canvas model is to orient and implement a business plan to achieve financial stability and development.

09 categories of Canvas models with a digital banking service include: Customer segments – CS; Value Propositions – VP, Channels – CH; Customer Relationship – CR Revenue Streams – RS, Key Resources – KR, Key Activities – IS, Key Partnerships – KP Cost structure – CS . An illustration for CANVAS analysis for mobile banking services is presented In figure 2

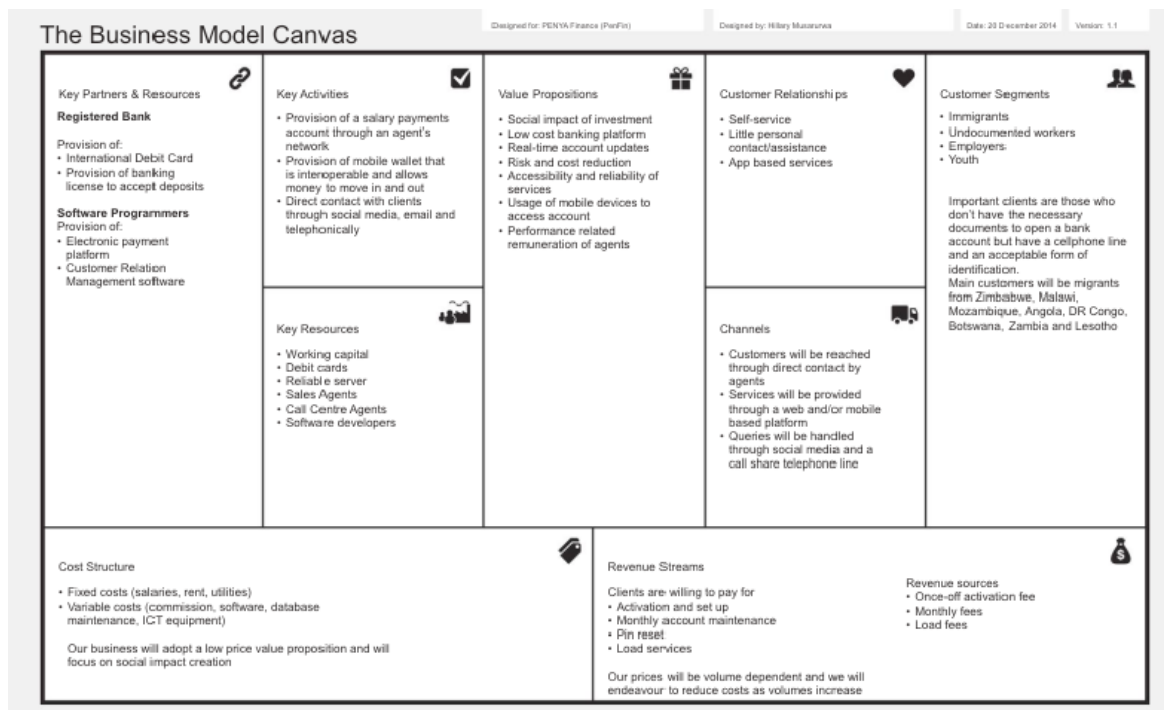


Figure 2 Business Model Canvas for mobile banking

2.4. Survey and Business analysis

The main objective of the survey is to collect actual information related to the service that the bank wants to conduct digital transformation. For each type of digital transformation project, the type of information and survey methods are not the same.

With Fintech projects and service digitization, we need to collect information about the current status of services, customer feedback with current services, customer behavior trends with services

related to. From there, identify the features of the service that need to be emphasized. Second, it is necessary to identify the relevant objects, the service specifications, from which to conduct analysis and provide product services to increase the performance of the product. In addition, the collection and evaluation of comparable products of competitors also need to be considered in order to increase the effectiveness of the desired digital service.

With digital transformation projects related to business process automation, it is necessary to focus on observing and recording the current process, detecting the pros and cons of the process. Moreover, in the process of observing and recording the process, the actors involved in the process need to determine the report forms, input and output data of the process also need to be collected. From the collected information, the surveyor will visualize the current process, evaluate the advantages and disadvantages, propose improvements and determine which components are manual and which are computerized. The results of the survey process need to develop a survey report. The survey report is a document that describes the entire survey process, and is the basis for future analysis steps.

Business analysis has the role of describing digital transformation products that need to be built from the surveyed information. In the analysis step, it is necessary to evaluate the pros and cons of the current product process, thereby providing solutions for digital products in accordance with the needs.

With Fintech digital products and services, analysis of customer and market survey data is necessary to evaluate and identify desired product and user and market characteristics. The evaluation can use many methods such as: descriptive statistics, group surveys, use of data services, etc., if data analysis is neglected, the product will be at risk of acceptance of customer behavior.

Business Process Modeling Analysis: Business process modeling is a graphical description of the sequence of activities of an actual business process. Business process modeling that minimizes language ambiguity so that both the technical side and the business side can understand and achieve the ultimate goal of making a product that meets business needs. Service, is both enforceable. Currently, business processes are standardized by the BPMN - Business Process Model Notation.

2.5. UML analysis

UML (Unified Modeling Language) is a language for the specification, visualization, construction, and documentation of software systems. UML provides an opportunity to write system designs, including concepts such as business processes and system functions. UML is a unified language used in the analysis and design of information systems. In Digital Transformation, the main UML models used for system specification include:

User case diagram: This diagram shows the functions of the system or classes and how the system interacts with the outside world.

Activities Diagram: Activities Diagram depicts the process and sequence of actions in the process, It looks like a flowchart because it depicts the work flow from activity to activity and from activity to state.

Sequence diagram: Sequence diagram depicts the interaction of layers in a time sequence. These models are associated with the case method.

In addition, depending on the digital transformation project, other UML charts can be used

2.6. Recommended Interfaces

To realize digital transformation products before deploying, the BA teams of banks and technology companies need to agree on the structure and interface design of the product or service. Types of interface design include: Sketch: Simply sketching the screens of the application, showing the content and features of the application on paper (low-fidelity). Wireframe is likened to the "backbone" of a design, it contains all the important parts of the final product. Mockup is the next level from Wireframe, is the middle stage and is the bridge between Wireframe to a Prototype. Prototype is a mockup but with a UX part added. This means that we can add data scenarios to describe the operation of the system. A satisfactory design must ensure both UI and UX

3. IMPLEMENTS FOR DIGITAL TRANSFORMATION IN PRIVATE CREDIT SECTORS

3.1. Overview of credit operation of commercial banks

Definition: Credit is a concept that represents the relationship between lenders and borrowers. In this relationship, the lender has the obligation to transfer the right to use the money or goods loaned to the borrower for a certain period of time. Credit plays a critical role in accumulating and taking advantage of temporarily idle capital for business development.

Credit is classified according to the following criteria: Credit terms (Short-term, medium-term and long-term credit); Credit objects (Fixed capital credit, Working capital credit); the purposes of using capital (Credit for production and circulation of goods, Credit for consumption); or subject in credit relationship (**Personal credit, Corporate credit**)

Activities that are operate by credit officer include:

- Creating and sourcing customer data
- Customer care includes (potential customers, current customers and past customers): maintaining contact, creating favorable impressions, implementing marketing strategies, answering customer inquiries.
- Coordinating with other departments in the bank to perform credit-related operations: lending, appraisal, disbursement, card issuance.
- Reporting operations: including periodic reports (weekly, daily, monthly and quarterly)
- Performing other tasks as assigned

3.2. Framework application to analyze employee management, individual customer credit

3.2.1. Ideas and suggestions

In the face of the rapid development of banking credit services, loan officers have encountered many difficulties in their work. According to the bank's statistics, the loan officers has the highest quit rate compared to other positions in the bank. Currently, loan officers are always under

great pressure to maintain a stable customer base. In the face of fierce competition from banks, loan officers need to change the way they take care of customers, support procedures related to business, and at the same time, they need to develop new customer sources. Thus, the traditional process method faces many difficulties, especially for private customer credit unions because of fluctuations in customer decisions. In that situation, digital transformation in supporting operations for credit specialists is necessary, especially for banks that do not have competitive advantages in capital and focus on private customers.

3.2.2. Pre-feasibility assessment

The idea of implementing digital transformation of credit lending processes at banks needs to be determined based on current conditions to identify strengths and weaknesses as well as opportunities and threats. Methods that need to be evaluated are qualitative and quantitative.

Because the digital transformation project optimizes the internal management process, it has not been linked with customers and partners outside the bank, so the canvas analysis step can be skipped to save investment costs.

In addition to the SWOT analysis, other contents in the pre-feasibility report mentioned include:

Table 1 SWOT for credit business support system

	Strengths (S)	Weakness (W)
Opportunities (O)	<ul style="list-style-type: none"> - Young credit officers are technologically competent and excited to apply new management methods - have a rich source of data about customers -credit officer will be freed from manual works 	<ul style="list-style-type: none"> There is a lot of data, but distributed storage is difficult to assemble into a common data warehouse Credit officers still do not really take care of customers, especially on important occasions improve the inadequacies of the credit specialist's KPI calculation improve procedure processing time
Threats (T)	<ul style="list-style-type: none"> Employees rely on technology leading to lack of interest in traditional channels that are doing well. Employees can lost a set of potential customers because of changing new customers care channel Spam mail or message may be occurs 	<ul style="list-style-type: none"> increase the cost of construction management while needing to minimize costs a part of credit officers will have difficulty applying technology, especially those with experience the business needs to change the traditional process which may introduce some risks

3.2.3. Survey and Business process analysis

Variety method of survey are applied in order to understand operations of private credit business such as: Brainstorming Data Modelling Document Analysis Interview, Prototyping Survey and Questionnaire. As a result we identify the most keyword for credit business process:

- Identify stockholder of system: credit officers, operating support departments, credit leaders, bank 's director and accountant.
- Identify main business workflow: loaning business, customer care business, customer mining business, KPI business.

- All documents and report which are used in business.

From that a series of BPMN are created to modeling all operating of private credit business. This figure 3 illustrates the BPMN diagram for loaning.

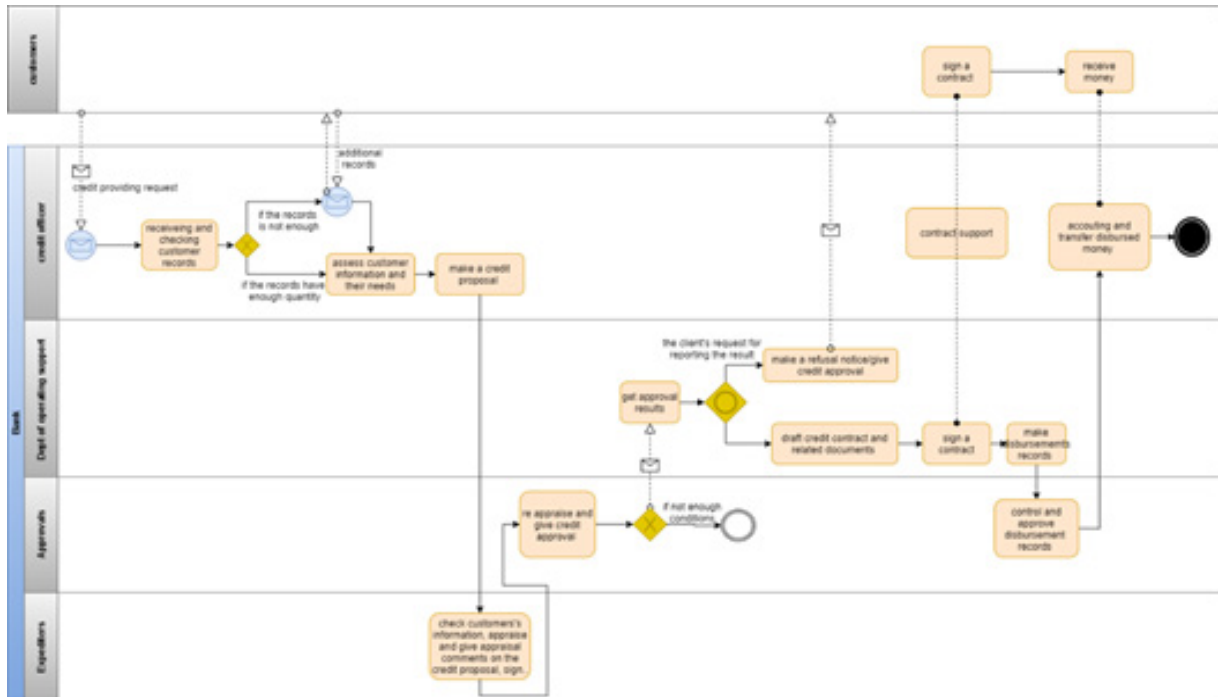


Figure 3. BPMN for loaning business process

The personal loan business process depicted in the diagram includes two basic stages. The first stage is to source customers and provide advice on loan services and the second stage to carry out loan procedures. Records will be rotated through the main data streams in the chart. From the chart, we can see the process from loan time to disbursement through stages including: receiving documents, completing documents, making submissions, appraising documents, approving documents for disbursement and management disbursement records. Usually each business needs a descriptive BPMN diagram. The loan implementation process includes actors: credit specialist customers, operation support department, appraisal and disbursement. Because the credit support system has an internal scope, the transaction steps with customers are conducted manually.

Similar to the BPMN chart describing lending activities, other operations (such as customer care, credit management) are also built with corresponding descriptive charts.

3.2.4. UML Analysis

User Case diagrams

The User case diagram for the credit support system is depicted in the figure. Similar to other information systems, the credit support system is divided into two layers: the business layer and the account management layer. Business layer is divided into 5 module corresponding to real businesses of credit officers which includes: Customer care management, customer information

system, loaning request management, expertise and approval, and disbursement. System layer includes 2 main module: account management and message management. Each module consists a set of cases which actors should operate for business process. Interaction actors of system includes: sale (means credit officers), manager, director, accountant and external systems (email, sms and call system). In System layer, Business factor represents all officers that interacts to system.

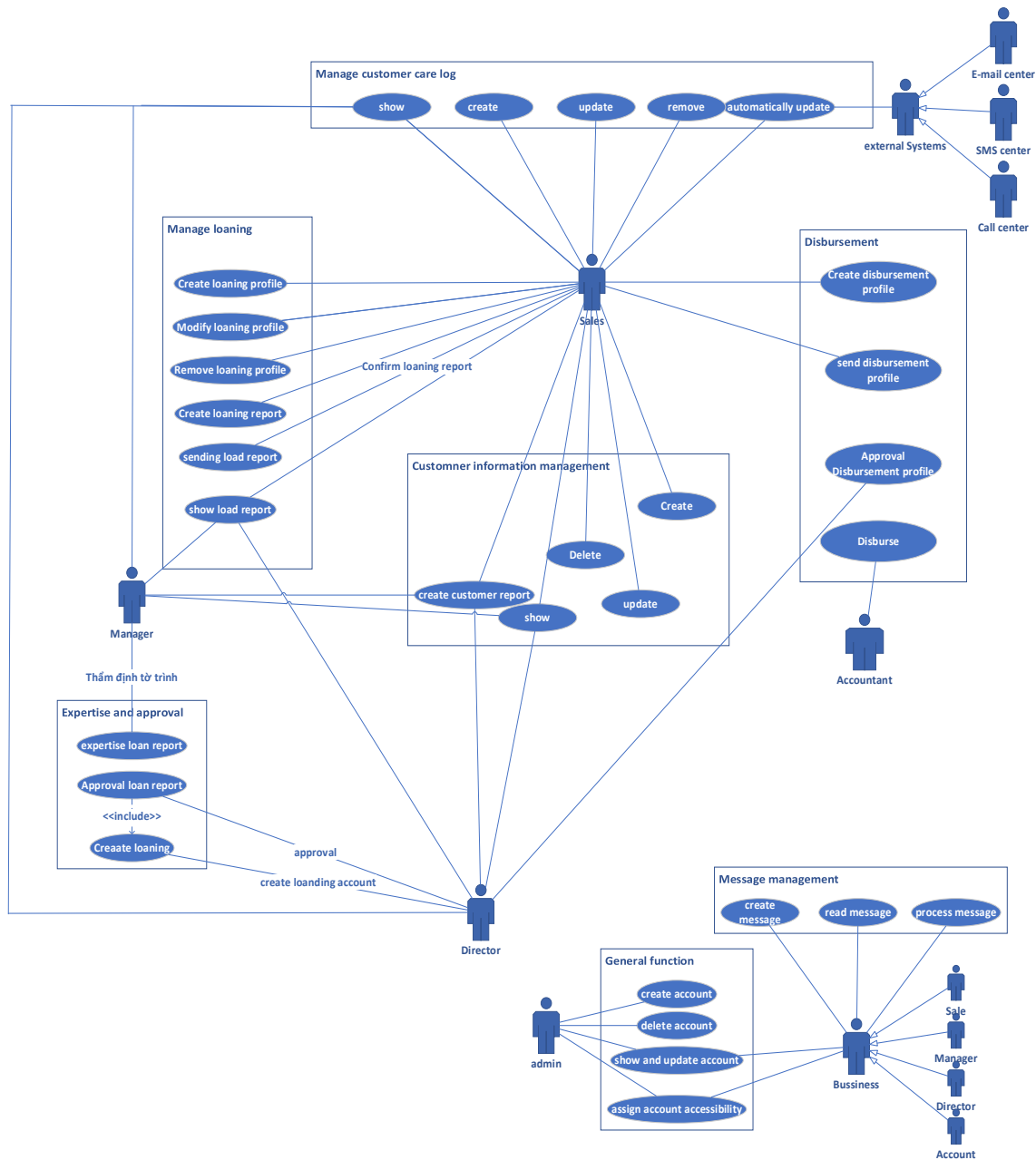


Figure 4 User case diagram for private credit support system

Activities diagram

In order to describe to the operation of each factor, activity diagram is create for each user case. Algorithms and technique implement are created based on the data flow in these diagram. User case specifications are also created in order to specify functions and requirement of user

case. This figure is one of illustrations for detail analysis of expertise loaning user case. All detail Analysis of project are used to construct SRS document that is unified between member of project team such as stakeholder, BA, project manager, developer and tester.

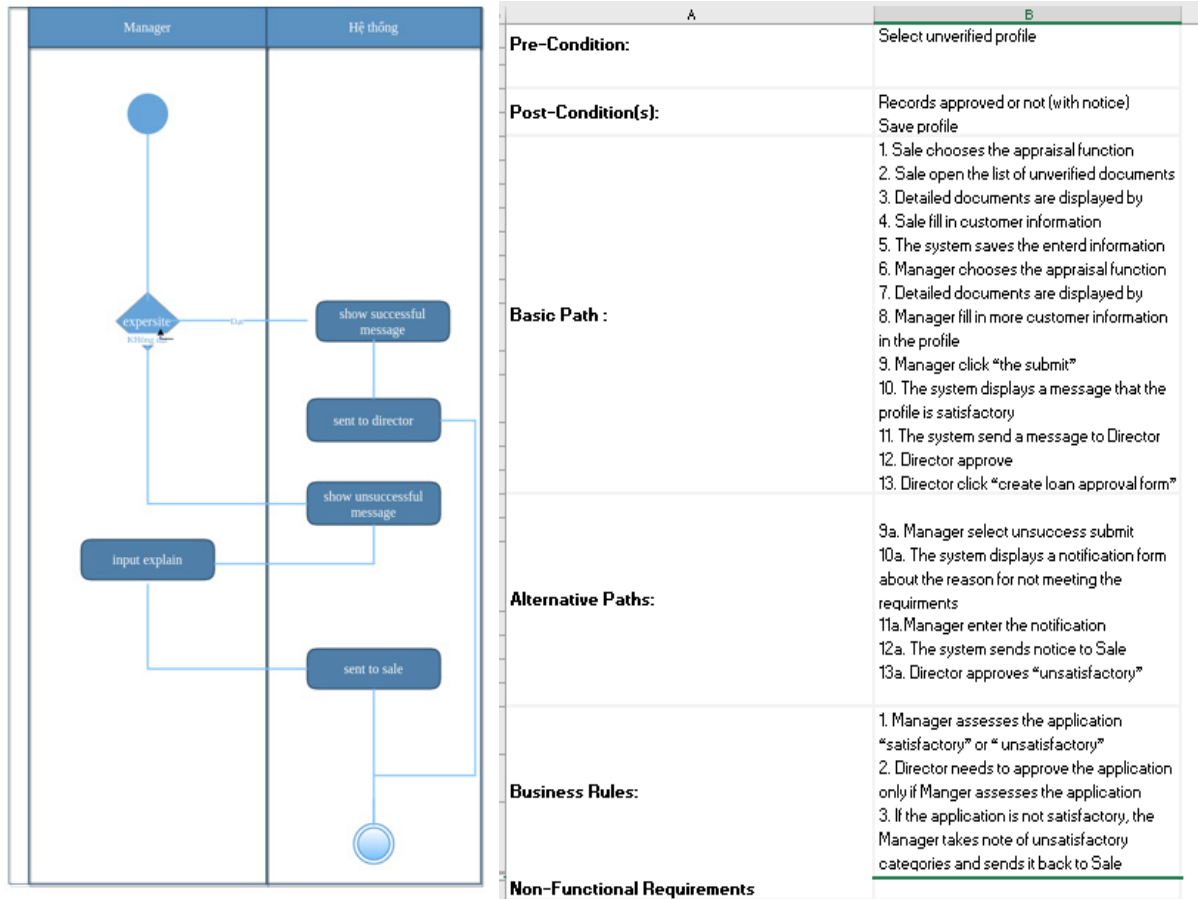


Figure 5 Activities diagram and use case specification for appraisal use case

3.2.5. Recommend interface

Based on the overview analysis and detailed analysis, the BA team will describe the proposed interface for the system. This interface ensures both accuracy in design and UI/UX properties for users. By the support of interface specification tools (figma, Axure, etc.) the interfaces are built as prototypes to accurately describe the system. The figure bellow is an example of the homepage interface built to match the system’s functions.



Figure 6 recommended for main page of private credit support system

4. DISCUSSION

From the above method of business analysis, we see that. Basically, the analysis of digital transformation operations in banks also includes general steps compared to the analysis of digital transformation operations in general areas. They do, however, have a number of unique characteristics that should be emphasized.

Firstly, because commercial banks' digital services are all based on a core banking platform, the implementation process does not focus heavily on system analysis and design, but rather on the business and value of the service, so this step 1 and 2 are very important and directly related to the Bank's business strategy. Digital services must ensure both network convenience and clear digital value for the bank. Avoid the case of overflowing services that consume both resources and create negative effects from customers.

Second, "digital transformation Credit business process" often has an intersection between IT and non-IT, human and psychological factors play an important role. Therefore, when a bossiness take part in DT, it is necessary to give feedback to the system. It is aslo necessary to distinguish the manual stages of the digital transformation phase, so the logging module is extremely important. It is the basis for calculating employee KPIs in addition to sales targets.

Thirdly, compared with the analysis of digital transformation operations in production, the analysis of banking operations that plays the cognitive role of management leaders is no longer important because most banks have identified the process of digital transformation that towards digital banking is inevitable and creates competitive advantages. The problem is just about the priority order to projects in the bank

Fourthly, depending on the characteristics of each digital transformation project, the steps of project implementation can follow the waterfall process or the Agile method.

5. CONCLUSION

In this article, we refer to bank digital transformation and the business analysis process towards bank digital transformation. Digital transformation of banks is divided into 03 new contents: development of digital products and services and FinTech, digital transformation of business processes, and Data analysis - Big data. We also propose a framework consisting of 5 steps including: creative idea, pre-feasibility assessment, survey and assess the current situation, analysis and proposal of interface. Compared with the normal business analysis process, bank digital transformation projects should emphasize the value brought instead of technological improvements. This paper also applies the framework to analyze the business to improve the credit support process and analyze the advantages and disadvantages of the method. However, the article is still limited in that it emphasizes business process digital transformation projects instead of digital services and fintech implementations and this content will be presented in the following projects.

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SOME RECOMMENDATIONS TO COMPLETE THE MEASUREMENT OF PERENNIAL BEARER PLANTS AND BEARER ANIMALS IN VIETNAM IN THE CONTEXT OF INTERNATIONAL ACCOUNTING INTEGRATION

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Abstract: *The measurement of perennial plants and bearer animals in Vietnam is being carried out in accordance with VAS 03 – Tangible assets based on the historical cost model. While, according to the International Financial Reporting Standards Board (IASB) guidelines, perennials should be measured in the same way as properties, plants and equipment following IAS 16 – Property, plant and equipment, and bearer animals should be measured under the fair value model following IAS 41 - Agriculture. The study reviews the measurement of perennial plants and bearer animals according to the guidelines of the IASB and the current status of measurement of perennials and bearer animals in Vietnam, thereby proposing some recommendations on the above issues.*

Keywords: *bearer plants, bearer animals, fair value model, cost model*

1. INTRODUCTION

In Vietnam, the agriculture sector plays an important role in the overall national economy. Agricultural products are diversified and abundant, including: Products from livestock, farming... These products not only meet the needs of domestic production and consumption, but are also exported to major markets in the world such as the US, EU, and Australia... contribute significantly to the country's socio-economic development. Currently, although Vietnam has issued general accounting principles and standards used in the preparation and presentation of financial statements, there is no specific accounting standard to the agricultural sector. In fact, sometimes the general accounting principles and standards have not kept up with the specific characteristics of production and business fields, especially those subject to fluctuations such as agriculture...

Over the years, IASB has revised, supplemented and replaced international accounting standards to meet the requirements of information transparency in the context of arising new complex transactions as well as specific fields. Therefore, the appearance of inconsistencies between Vietnamese Accounting Standards (VAS) and International Financial Reporting Standards (IFRS) is inevitable. Currently, there is a big difference between the provisions of VAS and IFRS. While IAS 41 aims to measure assets on the basis of fair value to ensure the relevance of accounting information to users, in Vietnam, historical cost is still the main measurement basis. The difference when applying the historical cost model or fair value model will lead to significant changes in the business results and related items on the financial statements of the enterprise.

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2. LITERATURE REVIEW

Long-term assets in the agricultural sector, namely bearer plants and bearer animals are, in essence, biological assets. The measurement of biological assets according to the fair value model has been stipulated in IAS 41 - Agriculture and was officially applied in January 2003. That is a significant change from the previous cost-based measurement method. According to Elad, Herbohn (2011), there are many evaluating models to determine the value for biological assets. The application of different valuation models may result in differences in the accounting information presented in relation to biological assets, and according some experts, they should be measured at fair value (Burnside, Schiller, 2005, Elad, Herbohn, 2011). However, when Argilés et al. (2011) developed a comparative empirical study of Spanish farms using a cost and fair value model in measuring the biological assets of perennial crops, the results show no difference in the evaluation of future cash flows. The measurement of fair value for all types of biological assets at all stages of development was criticized when the draft exposed E65 - Agriculture was enacted. Damian (2014) argues that it is inappropriate to apply a single evaluation model to all biological assets, especially to measure fair value for mature biological assets that are no longer subject to through biological transformation. This has triggered the view that the exploitation of biological assets to obtain agriculture products is analogous to the use of machinery and equipment to create items and that these biological assets must be measured in the same way as property, plant and equipment, in accordance with IAS 16, thus allowing the use of a cost model when measuring these assets. According to Amen (2000), there is theoretically no difference between the perennial bearer biological assets and other assets such as machinery and equipment. Therefore, these biological assets must be measured in the same way as machinery and equipment. Nonetheless, Amen (2000) also argues that biological and agricultural assets can be measured at fair value if an active market exists. Hoffman, Schneider, Dangerfield (2000) comment to E65 that fair value determinations for biological assets are often unreliable. According to Elad (2004), this is a controversial issue, not only because it prescribes a fair value model for all biological assets, but the replacement for the cost model is causing a wide range of theoretical and practical issues influence its worldwide application. In 2014, the Amendments to IAS 16 and IAS 41 – Agriculture: Bearer Plants has come to the final stage, in which, the IASB decided that bearer plants should be accounted for in the same way as property, plant and equipment in IAS 16 Property, Plant and Equipment, because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41.

In Vietnam, the current Vietnamese accounting regime stipulates the accounting of perennial bearer plants and animals as tangible fixed assets and these agricultural assets are measured at cost. This regulation is relatively consistent with the regulation of the IASB on accounting for bearer plants but there are still some inconsistent points on accounting for bearer animals. Hence, there are some studies that refer to the content of IAS 41 and its application Vietnam in order to provide solutions to ensure the harmony between accounting regulations in the agricultural sector in accordance with international and Vietnamese practices. The research by Hoang Tung and Nguyen Thi Cam Van (2013) gives the direction of applying international accounting standards on agriculture (IAS 41) to enterprises growing industrial plants in Vietnam. The research by Hoang

Thuy Dieu Linh (2013) on the application of IAS 41 and related standards of fair value... However, there are few studies on the measurement model that should be applied to biological assets in Vietnam, especially for perennial bearer plants and bearer animals. Therefore, in this paper, we will analyze the theoretical basis for the value measurement models of bearer plants and bearer animals from the point of view of IASB and Vietnamese accounting regime, thereby assessing the relevance of these regulations and propose measures to harmonize the regulations of the IASB and Vietnam, meeting the needs of international accounting integration.

3. IASB REGULATIONS ON MEASUREMENT OF BEARER PLANTS AND BEARER ANIMALS

According to the Amendments to IAS 16 and IAS 41: Agriculture: Bearer plants, a bearer plant is defined as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. Plants such as tea bushes, grape vines, oil palms and rubber trees, usually meet the definition of a bearer plant and so are within the scope of IAS 16. However, the produce growing on bearer plants, for example, tea leaves, grapes, oil palm fruit and latex, remains within the scope of IAS 41. IAS 16 permits the use of either a cost model or a revaluation model for property, plant and equipment, including bearer plants. The recognition, measurement and disclosure requirements in IAS 16 have not been modified for bearer plants. However, the amendments clarify that before bearer plants are in the location and condition necessary to be capable of operating in the manner intended by management, i.e. before they mature, they are accounted for as self-constructed items of property, plant and equipment. The produce growing on bearer plants is measured at its fair value less costs to sell in accordance with IAS 41. Changes in its fair value less costs to sell are included in profit or loss in the period in which they arise.

Under the definition of IASB, bearer animals are included in biological assets other than bearer plants and are measured on initial recognition and at the end of each reporting period at its fair value less costs to sell, except for the case where the fair value cannot be measured reliably.

For bearer plants, if the fair value model is applied, the fair value estimates are mainly about: useful life, yield, market price, considering climatic conditions, recurrent costs associated with bearer plants, and the discount rate over a relatively long period. These estimates involve uncertainties, considered in terms of the possibility of separate cash flows. Estimation may lead to overstating or understating the fair value of the bearer plants during the early years of its useful life. Changes in the fair value of bearer plants, which are reflected in a profit or loss in the income statement, affect the operating results of the business entity, which in turn can influence the decision-making of users of financial information. Fair value information reflects an asset's ability to generate cash flows over its remaining useful life. Large fluctuations in estimates of discounted cash flows can cause large changes in profit or loss to be reflected in the income statement. In contrast, the historical cost model takes into account the costs incurred by the entity to acquire bearer plants and allows these costs to be amortized over the useful life of the bearer plants. The effect of reducing the ability to generate positive cash flows is reflected in the depreciation of the bearer plants over their useful life. Since the value of bearer plants at the end of its useful life is assumed to be very low or zero (0), the measurement of the fair value of the bearer plants can be considered is very time consuming and inaccurate.

In the case of bearer animals for produce other than meat, the situation is different. First - there is an active market for bearer animals, fair value information is always available. Second – the useful life of a bearer animal is shorter than a bearer plant's. Third - the residual value of the bearer animal after the end of its useful life is considerable. Fourth - businesses can derive money from these assets by exploiting bearer animals during their useful life for produce or by selling them at any time. Therefore, it is appropriate to apply the measurement model at fair value. Users of financial information can find this information relevant to their decisions.

In contrast, if the cost model is applied, it is relatively difficult to determine the costs associated with bearer animals until they are likely to yield economic benefits. The information is based on the calculation of the daily feed costs incurred for each type of animals, the calculation of the additional costs associated with the newborn animals in the case of self-reproduction. Such internal information may not need to be disclosed to external users. When comparing fair value and cost model to reflect bearer animals reporting, the fair value model seems more precise.

All of the above arguments support the use of a cost-based model to determine the value of bearer plants and a fair value model for bearer animals. The authors appreciate the IASB's work in issuing the Amendments to IAS 16 and IAS 41 of bearer plants and and agree to the maintained accounting method for bearer animals as in IAS 41.

4. VIETNAMESE REGULATIONS ON MEASUREMENT OF BEARER PLANTS AND BEARER ANIMALS AND THE CURRENT STATUS IN APPLYING THEM IN VIETNAMESE'S AGRICULTURAL ENTERPRISES

It can be said that the system of Vietnamese Accounting Standards in general is prepared on the basis of the principle of historical cost. VAS 01 - General Standard is considered as a theoretical framework for building and perfecting the standard, the Vietnamese accounting regime has considered historical cost as one of the basic accounting principles and stipulates: Assets must be recognized at historical cost. The cost of an asset is measured at the cash or cash equivalents paid or payable or at the fair value of the asset at the time the asset is recognized. The historical cost of assets should not be changed unless otherwise stated in specific accounting standards.

The recognition of biological assets and agricultural products in Vietnam is being applied according to VAS 3 – Tangible fixed assets and VAS 2 – Inventories based on the historical cost principle. Fixed assets that are perennial bearer plants and bearer animals are under VAS 03 - Tangible fixed asset's scope and Circular No.45/2013/TT-BTC's regulations. In general, Vietnamese accounting standards prescribe that the initial value of assets is recorded at cost and can only be re-evaluated when there are regulations of the State. On the other hand, currently, enterprises operating in the agricultural sector in Vietnam do not re-evaluate the value of perennial bearer plants and bearer animals at reporting date subsequent to initial recognition. However, unlike other assets, plants and animals are heavily affected by natural conditions and their value can increase or decrease over time, so without relevant revaluation, the actual value of such assets may be inappropriately reported.

Due to these regulations, Vietnamese agricultural enterprises are currently making initial recognition and subsequent-to-initial-recognition expenditure for perennial bearer plants and bearer animals following cost model and periodically depreciate it into production and business

expenses during the period. Fixed assets are recognized under two items in the Statement of Financial position: historical cost and accumulated depreciation to derive to carrying amount of the assets. When applying the cost model, perennial orchards and livestock herds are invested, monitored and evaluated as normal fixed assets of the enterprise.

The life cycle of fixed assets can generally be divided into 3 stages: the capital construction, the utilizing, and the decommissioning stage. Accordingly, the life cycle of perennial bearer plants and bearer animals can also be divided into similar stages (growth, reproductive and declining capacity stage). If the enterprise applies the cost model, the recognition and measurement of bearer plants and bearer animals are similar to the normal fixed asset accounting. The growth stage of plants and animals is similar to the capital construction stage of self-constructed fixed assets, so it should be recorded at cost (recognizing expenses for care, irrigation, fertilizer, etc. into business expenses incurred during the period). During the reproductive stage, assets are depreciated, and at the end of the life cycle (cut down or death), plants and animals are deducted from the statement of financial position.

5. ASSESSMENT ON THE CURRENT STATUS IN APPLYING VIETNAMESE REGULATIONS ON MEASUREMENT OF BEARER PLANTS AND BEARER ANIMALS IN VIETNAMESE'S AGRICULTURAL ENTERPRISES

On subsequent-to-initial-recognition items of perennial bearer plants and bearer animals: After growth stage, no re-evaluation for perennial orchards or livestock herds is carried out. Information on the value of perennial bearer plants and bearer animals as well as profit and losses incurred during the period has not been presented clearly, completely and relevantly in the financial statements of the enterprises. At the end of the accounting period, the value of bearer plants and bearer animals in the financial statements is at cost. If these assets are impaired due to crop failure, epidemics, etc., the enterprise will have to make provisions according to regulations. On the other hand, if the value of the enterprise's assets increases due to continuous growth and development of plants and animals, such differences are not recognized. Simultaneously, expenditure subsequent to initial recognition such as feeding, veterinary services, planting, weeding, irrigation, fertilizer... are not recognized in the cost of orchards and livestock herds even though they meet the capitalization criteria as prescribed by VAS 03.

On measurement model in bearer plants and bearer animals: As mentioned above, applying a single measurement model in all types of biological assets is not satisfactory and significant difference is observable between bearer plants and biological assets in a form of living animals. The cost model is suitable for perennial bearer plants because after maturity the growth of the plant is usually slow. On the other hand, there is rarely an active market for perennial orchards, so determining the fair value is a challenge. With bearer animals, like other biological assets, fair value model seems to be more appropriate since many biological assets have relevant market-determined prices or values available, as biological produce in general are basic commodities that are traded actively. For example, there are usually market prices for calves and piglets, as there is an active market for these assets. Thus, there need to be different measurement methods for bearer plants and bearer animals.

6. SOME SUGGESTIONS AND RECOMMENDATIONS TO IMPROVE THE MEASUREMENT OF PERENNIAL BEARER PLANTS AND BEARER ANIMALS FOR INTERNATIONAL ACCOUNTING INTEGRATION

Vietnam is in the process of international economic integration, according to which, the accounting system needs to be reformed and developed on the basis of asymptotic and in line with international practices. In the context that Vietnam's capital market is gradually connecting with the world capital market, in order to attract external capital sources to invest in the agricultural sector, units and enterprises operating in the field of agriculture, it is necessary to have the support of accountants with a transparent, objective financial information system that is close to IFRS regulations. However, the recognition and measurement of assets according to Vietnamese Accounting Standards and regime still has a significant gap compared with international accounting practices. The application of strict but flexible accounting regulations according to IFRS is really a challenge for Vietnam in terms of market conditions, business environment, qualifications and capacity of auditors and accountants. members and investors in the Vietnamese market. Therefore, in order to perfect the Vietnamese Accounting Standards, which apply specifically to the agricultural sector and be in line with international practices, in the coming time, it is necessary to focus on the following issues:

Firstly, Vietnamese accounting standards in general and accounting regulations for agricultural sector in particular, in addition to being based on international accounting standards, must be suitable with the development conditions of Vietnam's market economy, with the legal system, qualifications and experience in accounting of Vietnam.

Secondly, relating to subsequent-to-initial-recognition items of perennial bearer plants and bearer animals: According to international practice, many agricultural enterprises have a policy of capitalizing some of subsequent expenditure, particularly those relating to the development of immature plants or livestock up to the point they were productive. As IASB does not prescribe the treatment of subsequent expenditure, such a treatment would still be permissible. However, difficulties may be encountered in defining what should be capitalized and what should be expensed; many entities now adopt a policy of treating all such expenditure as a 'cost of production'. This is also permissible. However, the measurement of the aggregate gain or loss arising during the current period on initial recognition of bearer plants and bearer animals and from the change in fair value less costs to sell of biological assets, will be directly affected by whether any part of these costs has been capitalized, so the accounting policy for the treatment of such costs should be disclosed.

Perennial bearer plants provide agriculture produce for a long time. The characteristic of such assets is that after the growth stage, the product will be harvested for many years, depending on the life cycle of the plants. The process from planting to the time the orchard is considered to be productive is the same as the process of capital construction to form fixed assets and after the growth stage, the orchard of bearer plants should be recognized as a fixed asset of the entity. After the initial recognition, the orchard is continued to fertilize and irrigate to provide products. The cost of care after the industrial plants have provided the product (the cost of care to maintain the operation of the plants to produce products in the next cycle) should be included in the production cost for calculating the cost of harvested products.

On the contrary, the costs related to the development of bearer animals should be capitalized by using the recognition criteria of assets and adjusted periodically by the re-measurement of the biological assets at its fair value. Management should use judgment to determine which costs would be eligible for capitalization (that is, labor costs of those employees directly involved with the management of biological assets could be capitalized, but labor costs related to distribution would not).

Last but not least, one of the important contents that need to be supplemented in the recognition and measurement of biological assets in agriculture is the accounting principles related to fair value. Fair value is gradually asserting its advantages in valuation and is widely supported in countries around the world. The Law on Accounting Amending and Supplementing No. 88/2015/QH13 has provided provisions related to fair value, but has not yet clearly oriented its use, nor has it specifically been included in the standards. accountant.

Given the complex nature of the use of fair value in agricultural accounting, the accounting standard-setting body should consider specific provisions appropriate to the particular nature of the field, as well as such as the change in the diversity of assets due to biological transformation, especially in the context that Vietnam's trading market is still limited in transparency, avoiding the inflexible application that affects the reliability of the accounting information. The accounting standard-setting body need to study to build a legal premise that is easy to understand and implement for businesses when applying and also needs detailed instructions in special cases. For example, the absence of an active market provides a basis for fair value model.

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RECURRENT PUBLIC EXPENDITURE MANAGEMENT: CASE OF STATE AUDIT OFFICE OF VIETNAM

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Abstract: *Recurrent Public Expenditure Management is a complicated issue and this fund is supposed to be used in inefficient ways in many State agencies. This article studies the management and use of recurrent expenditures at the State Audit Office of Vietnam according to expenditure content and spending tasks for the period 2016-2020. The article uses statistical and survey methods to evaluate recurrent expenditure management according to each detailed content. After analyzing the achieved results, shortcomings and causes, the article has proposed some solutions for stakeholders to more effectively manage recurrent expenditures of the State Audit Office of Vietnam in the future.*

Keywords: *Recurrent Public Expenditure, State Audit Office of Vietnam, Expenditure Management*

1. INTRODUCTION

The concept of frequent or recurrent expenditure is all expenditures of the State which are estimated and implemented within a certain period of time as authorized by the State to ensure the performance of regular annual tasks of the State. According to the State Budget cycle, recurrent expenditure is the process of allocating and using financial resources focused on the State Budget fund from the State's revenues to meet the spending needs of performing tasks on an annual basis by the State. Recurring expenditures are characterized by relative stability, short-term effects, social consumption, and are closely linked to the State apparatus.

Management of recurrent expenditures of a State agency is the management of all expenditures of an agency that are estimated and implemented within a certain period of time decided by a competent State agency in order to ensure the implementation of the regulations, functions and duties of the State. In this activity, State agencies need to establish and use tools, methods, forms and management measures suitable to the socio-economic environment in each period such as legal tools, plans, accounting, reports, regimes, standards, norms, State Budget index; management method according to input, according to results; form of withdrawal of estimates, payment orders; methods of organization, administration, education, economy...

State Auditor General (2017) [12] presented Principles of management of recurrent expenditures of State agencies:

- All expenditure needs must be estimated and only made according to the State Budget expenditure estimates which the country assigned by a competent superior;

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State Audit Office of Viet Nam

- Expenses must comply with regimes, standards and norms prescribed by competent authorities. Regimes, standards and norms are the legal basis for managing State Budget expenditures in all stages of the State Budget cycle. Budget estimates at all levels and agencies must strictly comply with the regimes, standards and norms of the State Budget prescribed by competent authorities.

- Management of recurrent expenditures is carried out according to each Budget year, the Budget year has the same length as the calendar year. This principle is intended to ensure fiscal discipline, prevent the simultaneous implementation of multiple Budget expenditures, encourage good spending planning, and allow for detailed verification of Budget expenditure policies at different levels.

- Promote publicity and transparency in the management of State Budget expenditures in general and recurrent expenditures in particular in order to enhance accountability, internal supervision and external supervision of the implementation of Budget expenditure tasks. Thereby contributing to avoid loss, waste and corruption, and ensuring fiscal discipline, efficiency in allocation, and efficiency in State Budget spending. Publicity and transparency in State Budget expenditure management means that information on State Budget expenditures is fully, timely, accurate, understandable and suitable for those who need access

- Manage State Budget expenditures according to the results of the performance of tasks in order to achieve the objectives of allocation efficiency and operational efficiency in performing State Budget expenditure tasks.

- All State Budget expenditures must be controlled by the State Treasury and paid directly from the State Treasury. In case it is not possible to make direct payment from the State Treasury, payment via agencies using the State Budget

- State Budget expenditure accounting must comply with the State Budget index in order to provide sufficient information to meet the requirements of State Budget management.

The implementation of Budget expenditure according to the regulations that have been set out has great significance for the efficiency of State Budget expenditure. Especially with agencies that perform inspection tasks like the State Audit. The current situation shows that the implementation of recurrent expenditures from the State Budget still has many disadvantages that make it a waste of Budget resources. Offering solutions for recurrent expenditures at the State Audit Office has great significance for this agency as well as a lesson for other State agencies in improving the efficiency of the use of recurrent expenditures resources from the State Budget.

The following part of the report is structured as follows: Part 2 is an overview of previous studies, part 3 is methods and data, part 4 is the results and part 5 gives some conclusions and recommendations.

2. LITERATURE REVIEW

Author Nguyen Quang Hung (2015) [6] has clearly analyzed the basic theoretical issues of recurrent Budget expenditure, control of recurrent Budget expenditure through the State Treasury. Summarizing the experience of controlling recurrent Budget expenditures of the Federal Republic of Germany, the French Republic, Canada, Singapore, Malaysia and Budget reform initiatives in

the countries of the Organization for Economic Cooperation and Development. There are 5 lessons learned that can be studied and applied to Vietnam.

In the actual situation, the author analyzes the spending content and controls recurrent Budget expenditure through the State Treasury of local governments at all levels in Vietnam, drawing conclusions about the results, limitations and causes of the research problem. Meanwhile, propose viewpoints, orientations and 6 solutions with conditions for implementing solutions in order to innovate control of recurrent Budget expenditures of local governments at all levels through the State Treasury in Vietnam. The system of proposed solutions includes: renovating the organization to control recurrent Budget expenditures in the State Treasury system; renovate the process of controlling recurrent Budget expenditure of local governments at all levels through the State Treasury; complete the system of tools used in controlling recurrent Budget expenditures of local governments at all levels through the State Treasury; renovate the organization and implementation of mechanisms and policies to control recurrent Budget expenditures through the State Treasury; improve the qualifications and capacity of cadres and civil servants to control regular Budget expenditures; regular Budgeters; control recurrent Budget expenditure according to the method of managing program Budgets, project Budgets, within the framework of medium-term spending.

Nguyen Tuan Anh (2020) [9] has systematized a number of theoretical bases on management of recurrent State Budget expenditures, current status of State Budget recurrent expenditure management in Lao Cai province; propose solutions to strengthen the management of recurrent State Budget expenditures in Lao Cai province.

Some solutions proposed by the author include: Improving the quality of Budget estimates, Completing the observance of Budget expenditure estimates; Completing the inspection and Budget settlement; Strengthening the control of recurrent expenditure; Improving the capacity and professional qualifications of Budget managers.

Pham Tien Nam (2020) [10] has analyzed and evaluated the current situation of State Budget recurrent expenditure management in Bac Kan province. Three solutions proposed include: Solutions to complete the management of the preparation, allocation and execution of recurrent expenditure estimates of the State Budget; Solutions to improve the organizational structure and improve the quality of the contingent of cadres and civil servants managing recurrent expenditures of the State Budget; Solution to complete the management, control and payment of recurrent expenditures of the State Budget.

Hoang Thi Thu Huong (2019) [1] presented the scientific theoretical basis and State management practice for the management of recurrent expenditures from the State Budget at State agencies. Meanwhile, the study analyzes and evaluates the management of recurrent expenditures of the State Budget in the State Administration and General Department of Taxation - Ministry of Finance. Then, a number of solutions are proposed: Solutions to complete the construction work, specific guidance on regimes and policies for recurrent expenditures of the State Budget; Solutions for completing planning, estimating and allocating State Budget recurrent expenditure estimates; Solutions to improve the level of management staff; Solutions to overcome the shortcomings in financial management in the agencies; Solutions to complete the settlement of recurrent

expenditures of the State Budget; The solution to complete the internal inspection and organize the management of recurrent expenditures of the State Budget.

Nguyen Thi Bich Thuy (2015) [7] delves into the general theory of the State Budget and the necessity of managing recurrent expenditures of the State Budget, and based on the results of analysis, the author assesses the current State of recurrent expenditure management of the State Budget in Da Nang city in the period 2010 - 2014, from which to propose a number of directions and solutions to improve the management of recurrent expenditures of the State Budget in Da Nang city until 2020. The author proposes solutions: Perfecting the management decentralization and the system of norms for allocation of recurrent expenditures; Solutions to improve the level of management staff; Solutions to complete the inspection, examination and settlement of recurrent expenditures; Solutions for applying information technology to local State Budget management.

3. DATA AND METHODOLOGY

3.1. Data Sources

- The data on the Current State of Budget expenditure is taken from the 2016-2020 General Financial Report, the Finance Department, the State Audit Office.

- In order to gain a better insight perspective, data is taken from the survey of staff working at State Audit of Vietnam

3.2. Analysis methods

- Descriptive statistical method is used with real data of State budget expenditure in the State Audit

- The survey method is carried out to get data and the average numerical analysis method is used to assess the current status of recurrent expenditure at the agency.

The author has designed a survey on a 5-point Likert scale to assess the effectiveness/appropriateness of the management of recurrent expenditures at the State Audit Office of Vietnam with the following levels:

1. Ineffective/appropriate
2. Less effective/appropriate
3. Effective/appropriate
4. Very effective/appropriate
5. Extremely effective/appropriate

Then the author uses the average value to give out assessment.

$$\text{Average Value} = \frac{\sum_{i=1}^5 \text{Number of votes for } i \cdot i}{5}$$

The contents of the survey are shown in the following table:

Table 1. The contents of the survey

No	Recurrent expenditures	No	Recurrent expenditures
1	Salary	14	Hiring expenses
2	Wages for contract workers	15	Branches out
3	Salary allowance	16	Branches entered
4	Bonus	17	Repair and maintenance of property
5	Collective benefits	18	Procurement of assets for professional work
6	Contributions	19	Specialty and profession expenses of each industry
7	Other payments to individuals	20	Procurement of intangible assets
8	Payment for public services	21	Other expenses
9	Office supplies	22	Spending on Party work
10	Information, propaganda, communication	23	Spending on setting up unit funds
11	Conference	24	Expenses for job support and creation
12	Business trip expenses	25	Development investment expenses
13	Hiring expenses		

4. CURRENT STATUS OF RECURRENT EXPENDITURE MANAGEMENT AT THE STATE AUDIT OF VIETNAM

4.1. Recurrent expenditure management

SAV's recurrent expenditures are allocated to 5 groups of expenditure tasks, including 25 items detailed in Table 2.

Table 2. Detailed contents of recurrent expenditure by 25 items

Unit: Million dong

No.	Content of recurrent expenditure	2016	2017	2018	2019	2020
1	Salary	137.551	138.135	140.730	132.683	141.264
2	Wages for contract workers	5.292	5.808	5.709	5.669	6.692
3	Salary allowance	87.025	87.274	88.350	85.184	91.862
4	Bonus	14.013	13.048	14.472	11.759	12.957
5	Collective benefits	56.619	54.775	54.205	53.463	56.909
6	Contributions	38.652	36.756	38.052	35.876	38.531
7	Other payments to individuals	152.707	153.137	148.776	147.518	150.546
8	Payment for public services	18.279	18.035	18.977	17.892	18.715
9	Office supplies	23.797	22.926	24.706	23.293	24.866
10	Information, propaganda, communication	6.903	7.257	7.513	7.083	7.005
11	Conference	3.469	3.479	8.602	3.396	3.742
12	Business trip expenses	72.953	75.763	74.434	73.949	76.482
13	Hiring expenses	27.948	25.164	27.975	27.318	26.101
14	Branches out	16.064	18.199	18.840	17.763	3.573
15	Branches entered	2.126	1.961	11.031	1.914	376
16	Repair and maintenance of property	69.722	72.263	71.625	71.301	78.564
17	Procurement of assets for professional work	70.131	71.298	73.810	68.647	130.825

18	Specialty and profession expenses of each industry	88.859	91.113	88.254	86.979	90.840
19	Procurement of intangible assets	24.654	26.910	32.859	26.266	28.942
20	Other expenses	18.640	17.502	22.189	19.035	18.974
21	Spending on Party work	1.987	1.993	2.063	1.945	2.143
22	Spending on setting up unit funds	1.183	1.186	1.228	1.158	1.276
23	Expenses for job support and creation	520	521	540	509	620
24	Development investment expenses	6.695	4.980	8.605	5.506	8.067
25	Non-business expenses	11.006	10.043	9.803	10.443	12.085
	Total	956.794	959.527	993.346	936.549	1.031.955

Source: General Financial Report [11]

The details in the table above belong to 5 main groups of expenditure tasks, including: Payment for individuals, Expenses for goods and services, Other expenses, Investment expenses (from recurrent expenditures), Non-business expenditures. In which, the structure of the group is distributed over the years as follows:

Table 3. Detailed contents of recurrent expenditure by 5 expenditure tasks

Unit: Million dong and %

TT	Content	2016		2017		2018		2019	
		Quantity	Percentage	Quantity	Percentage	Quantity	Percentage	Quantity	Percentage
1	Payments for Individuals	491.858	51,41%	488.933	50,96%	490.293	49,36%	472.152	50,41%
2	Expenditure on goods and services	424.905	44,41%	434.369	45,27%	458.625	46,17%	425.801	45,46%
3	Other expenses	22.33	2,33%	21.203	2,21%	26.02	2,62%	22.647	2,42%
4	Investment expenditure (from recurrent expenditure)	6.695	0,70%	4.98	0,52%	8.605	0,87%	5.506	0,59%
5	Non-business expenditures	11.006	1,15%	10.043	1,05%	9.803	0,99%	10.443	1,12%
	Total	956.794	100%	959.527	100%	993.346	100%	936.549	100%

Source: General Financial Report [11]

The structure of groups of spending tasks is mainly concentrated in 2 main groups: payment for individuals and expenditure on goods and services which account for over 95% of the total annual recurrent expenditure, the remaining 3 groups account for a small proportion, less than 5%.

- Payment for individuals in 2016 was VND 491,858 million, accounting for 51.41% of the total recurrent expenditure in the year; in 2017, it was 488,933 million VND, accounting for 50.96%; in 2018 it was 490,293 million VND, accounting for 49.36%; in 2019 it was 472,152 million VND, accounting for 50.41% and in 2020 it was 498,760 million VND, accounting for 48.33%. This is the expenditure that accounts for the largest proportion of the total recurrent expenditure, usually accounts for approximately 50% of the total recurrent expenditure, the amount spent between

years does not differ much, the largest was in 2020 with 498 billion and in 2019, the smallest was 472 billion. In the period 2016-2020, SAV was stable in terms of organizational structure and number of employees, so the expenditures for individuals include: salary, allowances, bonuses and other allowances... did not experience much change over the years. Payments for individuals are taken from two main sources of funding, which are the Self-contained Recurrent Budget and the 5% Budget.

- Expenditure on goods and services in 2016 was VND 424,905 million, accounting for 44.41% of the total recurrent expenditure in the year; in 2017 it was 443,369 million VND, accounting for 45.27%; in 2018, it was 458,625 million VND, accounting for 46.17%; in 2019 it was 425,801 million VND, accounting for 45.46%; and in 2020, it was 490,030 million VND, accounting for 47.49%. This is the second largest proportion of the total recurrent expenditure, accounting for from 44.41% to 47.49% of the total recurrent expenditure, however, the amount of annual expenditure fluctuates more than expenses for individuals, the largest expenditure in 2020 was 490 billion VND and in 2016 the smallest expenditure was 424 billion VND. Because this expenditure is mainly taken from the 5% Budget, while the 5% Budget is usually spent according to the approved estimate and usually has to be prioritized for the people, the rest is allocated to the other items such as: repair and maintenance of property; Procurement of assets for professional work; professional costs of each industry... That is the reason why the amount spent for goods and services have more fluctuations than the expenses for people.

- In terms of other expenses, investment expenditure from recurrent expenditure and non-business activities account for a small proportion, usually less than 5% of the total recurrent expenditure. A rather special expenditure in this group is that the State Audit annually spends on investment and development of a number of small items from the 5% Budget according to the provisions of Circular No. 16/2019/TT-BTC dated 18/3/2019 Guide to management and use of funds deducted to implement the priority regime for cadres, civil servants, public employees and employees of the State Audit [12]. Thus, the small value development investment items that SAV has not yet included in the medium-term capital construction investment plan can be spent from this funding source. However, the annual Budget of 5% is mainly allocated to human resources and auditing, so the remaining amount for investment from this source is still limited, accounting for a small proportion, merely 2-3% of total recurrent expenditure.

4.2. Survey results

The surveys consisting of 25 questions was sent to 30 officials working at the State Audit Office of Vietnam to access their assessment related to the contents of recurrent expenditure management of the State Audit of Vietnam. The number of votes collected was 30, reaching 100%, the results are summarized in the following table. Then, the average values were calculated and used to make judgment.

$$\text{Average Value} = \frac{\sum_{i=1}^5 \text{Number of votes for } i \cdot i}{30}$$

The survey's results were presented in the following table:

Table 4. Summary of survey results

No.	Content of recurrent expenditure	Number of choices					Total number	Average
		1	2	3	4	5		
1	Salary	-	-	18	11	1	30	3.43
2	Wages for contract workers	-	2	17	11	-	30	3.3
3	Salary allowance	-	-	18	12	-	30	3.4
4	Bonus	-	3	20	7	-	30	3.13
5	Collective benefits	-	5	19	6	-	30	3.03
6	Contributions	-	-	18	11	1	30	3.43
7	Other payments to individuals		6	17	7	-	30	3.03
8	Payment for public services	3	12	13	2	-	30	2.47
9	Office supplies	5	18	7	-	-	30	2.07
10	Information, propaganda, communication	4	16	10	-	-	30	2.2
11	Conference	1	7	16	6	-	30	2.9
12	Business trip expenses	6	17	7	-	-	30	2.03
13	Hiring expenses	-	6	22	2	-	30	2.87
14	Branches out	-	3	19	8	-	30	3.17
15	Branches entered	-	4	20	6	-	30	3.07
16	Repair and maintenance of property	3	8	18	1	-	30	2.57
17	Procurement of assets for professional work	-	9	16	5	-	30	2.87
18	Specialty and profession expenses of each industry	-	10	18	2	-	30	2.73
19	Procurement of intangible assets	-	3	24	3	-	30	3
20	Other expenses	-	5	25	-	-	30	2.83
21	Spending on Party work	-	-	21	6	3	30	3.4
22	Spending on setting up unit funds	-	12	14	4	-	30	2.73
23	Expenses for job support and creation	-	-	27	3	-	30	3.1
24	Development investment expenses	-	1	25	4	-	30	3.1
25	Non-business expenses	-	2	24	4	-	30	3.07

Source: Compiled by the author

If the average value of an item reaches any level of the Likert scale, the item can be classified as receiving the rating value on the Likert scale.

- Over half of 25 recurrent expenditure items (14/25) were chosen to be "effectiveness/appropriateness" in terms of judgment for the management of such expenditures. None of the item was "very effective/relevant", "extremely effective/relevant" or "ineffective/appropriate". There are 11/25 items rated "less effective/appropriate" with an average score of less than 3.00.

- Regarding 14/25 items with a score from 3.00 to 3.43, which is assessed as "effective/appropriate" management, the payment are mainly for individuals such as salary, money wages,

bonuses, collective welfare, employment support... because almost all expenses for individuals are paid by SAV via bank account in the period before the 10th of every month, After the Accounting Department transfers money to individuals, the file named "Monthly Income Statement" will be the source for individuals to compare, review and give feedback if there are errors. However, these payments are usually fixed on a monthly basis, if there is no change in salary or rank increase, the management of these expenses is considered to be quite effective/appropriate.

- Regarding 11/25 items with the average score is less than 3.00 points, especially, the score from 2.03 to 2.90 is still "less effective/appropriate" that needs to be improved, these expenditures are mainly in the group of expenditures on goods and services; These are contents with diverse beneficiaries, regulations on payment records are also more complicated, so the management is also more difficult.

Among these effective/appropriate items, there are 4 expenditure items with the lowest average score below 2.50, including: Payment for electricity and water bills; Payment for phone, internet; Stationery expenses and Payment of travel expenses. The effective and economical management of these expenditures depends not only on the management method of the State Audit of VN but also on the sense of thrift of each implementing officer. The assessment status of the surveyed staff is also consistent with the reported data. These expenditures have not shown any signs of decrease in recent years, but have increased slightly over the years. Therefore, in the coming time, it is necessary to develop a plan and widely deploy an action program on thrift practice and waste prevention at the office.

4.3. Achieved Results, Limitations and Causes

a) Achieved Results

- The change from Budget allocation according to Expense to Budget allocation according to Estimate, from assigning detailed cost estimates by item to assigning cost estimates by item group, etc. was conducted. Thereby, there was a drastic reform of procedures of administration in the process of allocating estimates, saving time and effort for level I estimate agencies. Meanwhile, agencies are also soon allocated and assigned as estimates to actively spend from the first days of the Budget year.

- Administrative processes, methods and procedures in the stages from making estimates to implementing estimates and finalization of the State Budget have been improved, minimizing administrative procedures and unnecessary affairs, saving time and cost of State Budget management, but still ensure the requirements of State Budget management and administration. State Budget management and control; Inspection and audit have been strengthened and focused, so it has gradually improved financial discipline in the management of the State Budget.

- Level III estimating agencies have basically complied with current regulations on financial management and use. All expenditures are strictly adhered to the Internal Expenditure Regulations and strictly adhere to the financial autonomy and administrative management Budget, so they have greatly contributed to saving money resource for setting up welfare fund and additional income. Thereby, it has improved the material life and promptly encouraged cadres, civil servants, public employees in the agencies under SAV to successfully complete their assigned tasks.

- The accounting department has strictly managed the recurrent expenditures, limited the arising expenses and ensured the saving of recurrent expenditures by 10% according to the regulations of the Government and the Ministry of Finance, which helps to create a reserve Budget for activities arising during the year; actively reduce or delay the implementation time for procurement expenditures to replace equipment and cars, stop implementation and cancel the procurement and repair costs already arranged in the estimates of the agencies but has not approved the Budget; strictly manage travel expenses, aircraft expenses, travel expenses of audit teams because business trips are a special task of SAV...

b) Limitations and causes

Although the regime of controlling State Budget expenditures has been strictly implemented through the State Treasury, due to the large volume of documents, especially documents for human expenses, business trip expenses, procurement expenses, and office expenses. ... So, it is inevitable that the set of documents is still incomplete and unclear...

Regarding the recurrent expenditure of the State Audit, the annual expenditure for individuals' accounts for the largest proportion, in the period 2016-2020, the expenditure for individuals' accounts for 48%-52% of the total recurrent expenditure and relatively stable. Expenditures for individuals are salaries, allowances, extra income, allowances... The expenditure of these items was clear and paid by transferring to the staff's personal bank account, officials, employees. Therefore, the management of this expenditure ensures rigor and compliance with regulations, without restrictions. The expenditure accounting for the second largest proportion is the payment of goods and services such as spending on public services, conferences, business trips, purchasing assets for professional work, etc., accounting for about 44% -47% of the total annual recurrent expenditure. For this expense, the management is more difficult because the objects of expenditure, payment and settlement, the set of documents... are more diverse and complex.

Expenditures on public services, stationery and telephone expenses are still high (average is about VND 50 billion in the period 2016-2020) and tend to increase slightly over the years. The savings and avoidance of wasteful expenditures on the above services have been thoroughly understood to each cadre, civil servant, public employee. However, there are still some officials who have an attitude of disregarding this task, not having a sense of saving when using electricity, water, telephone, stationery, etc. When all the small waste was combined, it would get really considerable, affecting the recurrent expenditure Budget as well as the funds deducted from administrative savings.

5. DISCUSSION AND CONCLUSION

Firstly, regarding recurrent expenditures, especially for goods and services, the payment documents must be reasonably close and legal, and the collection of sufficient documents at the request of the Ministry of Finance and The State Treasury's Spending Control Department is also stricter than payments to individuals. Therefore, in order to overcome limitations on the transfer of documents for payment of travel expenses of the audit teams, groups because it has to move continuously between localities, the audit teams, group themselves must improve responsibility for completing the payment records by actively contacting and discussing with the Accounting

Department to have a form of sending the documents to the Accounting Department safely, through the form of sending documents to the Accounting Department, staff to the agency, quick fax, ask the supplier to transfer the payment documents directly to the Accounting Department,...

Secondly, regarding the policy of saving recurrent expenditures that has always been thoroughly understood by the Government and the Ministry of Finance in guiding documents to develop annual estimates for ministries, central agencies and localities. Saving recurrent expenditures to reserve the State Budget for development investment activities and necessary security and defense tasks. In particular, in the year 2020-2021, when the State Budget is necessary to supplement the task of preventing and controlling the Covid-19 epidemic, the practice of thrift and waste prevention is even more necessary.

In order for the task of thrift practice and waste prevention to be regular, continuous, and practical, SAV needs to strengthen propaganda and organize the integration of thrifty and anti-wasteful practices into the activities, meetings to exchange and discuss in order to raise awareness and responsibility for officials, public servants, public employees, which can gradually form the habit of saving, raising "thriftiness" to become a "saving culture" in everyone's life and work. Plans and widely deploy action programs on thrift practice and anti-waste and should be build and the agency require cadres, civil servants and employees to seriously implement them. Party committees at all levels need to direct closely, and leaders at all levels should set an example in thrift practice and waste prevention for cadres, civil servants and employees.

Thirdly, the allocated, appraised and finalized Budget sources should be announced publicly and transparently. The agency should actively review and adjust spending tasks, strengthen the inspection and control of spending, apply appropriate measures and solutions to improve efficiency in saving and avoiding waste.

Finally, it is necessary to promptly reward collectives and individuals who are conscious and bring results in thrift practice and waste prevention. Meanwhile, criticizing and Applying sanctions to individuals and collectives who break the regulations on using public property, causing waste should be put in practice. The agency also need to develop and supplement appropriate policies in allocating year-end income from savings in the year based on the criteria of contributing, benefiting, increasing income sources by practicing thrift, avoiding wastefulness. These above actions would be great motivation to encourage cadres, civil servants and employees to strive to practice thrift and avoid waste so that their year-end income is improved and enhanced.

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SUSTAINABLE AGRICULTURE DEVELOPMENT AND E-COMMERCE INTENSIFICATION IN VIETNAM'S AGRICULTURE

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Abstract: *The Covid-19 pandemic has seriously affected Vietnam's economy and countries around the world, affecting most industries and sectors of the economy. The agricultural sector is also one of the industries which impacted severely by this pandemic. Therefore, in order to recover and develop agriculture after the pandemic, towards sustainable agricultural development, Vietnam needs to develop digital agriculture and promote e-commerce transactions in agriculture. The following article focuses on solutions for sustainable development of Vietnam's agricultural industry with two main focuses on developing digital agriculture and promoting e-commerce transactions in agriculture.*

Key words: *sustainable agriculture development, e - commerce*

The COVID-19 pandemic has impacted simultaneously almost nations around the world but in different supply-side and demand-side mechanisms. Its influence depends on each country as well as the connection of that economy with countries around the world. Due to the impact of the epidemic, some countries have adopted measures to prevent and control the epidemic, such as isolation and social distancing, enforcement of travel restrictions and closure of non-essential activities, causing many production activities to be halted, as well as the interruption of export and import activities. In contemporary world's economy, production activities based on the global supply chain, a disruption in input production of a country will lead to a negative impact on the further production process of other ones. Vietnam's economy is also hard to avoid being affected by the fluctuations of the world economy. Vietnam also is the country that is strongly and directly affected in many industries and fields, and one of the industries directly affected is agriculture, specifically as follows:

The Covid-19 epidemic with four complicated happenings has greatly affected the organization and implementation of agricultural, forestry and fishery production plans, especially in localities where social distancing measures must be applied. From the beginning of 2020, the production of seafood, vegetables (especially dragon fruit, watermelon, durian), rice, and wood has been directly affected by the Covid-19 epidemic originating in China. People and businesses faced many difficulties because of purchasing prices fell, The producer price index of agricultural,

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forestry and fishery products tends to decrease in 2021¹

Moreover, because enterprises which are mostly small and medium-sized enterprises have directly produced agro-forestry-fishery products, when difficulties occur such as epidemics (along with drought, saltwater intrusion, etc.), many businesses have to suspended operation, dissolved in the first 8 months of 2021 compared to the same period in 2020: The number of newly established agro-forestry-fishery enterprises decreased by 18.2%; the number of agro-forestry enterprises returning to operation decreased by 8.2 %; the number of agro-forestry-fishery enterprises suspending their business increased by 35.5% and the number of AFF enterprises dissolved increased by 34.5%)².

-When the epidemic broke out, it stalled and disrupted many agro-forestry-fishery production and supply chains. The Covid-19 epidemic has changed the demand and consumption patterns, especially the domestic market, requiring an appropriate transformation in production organization and restructuring distribution channel, connecting supply and demand for customers. with agricultural, forestry and fishery products.

Orientations and solutions to develop Vietnam's agricultural industry:

In order to recover the economy in general, including the agricultural sector, the most important task of Vietnam is the effective epidemic prevention and control, contributing to maintaining macroeconomic stability and social order. festival. Through the Covid-19 epidemic, the economy revealed more clearly its strengths and weaknesses, especially in terms of economic structure and ability to withstand large external impacts. Therefore, it is necessary to develop uniform digital agriculture and enhance e-commerce transactions in agriculture in order to develop the sustainability of the agricultural sector at present.

First, digital agriculture development.

Our country's agricultural industry is facing to develop and compete with countries in the region and in the world, it is necessary to develop in the direction of high technology agriculture, digital application to the process of growing, harvesting, processing and consuming, increasing the value on the cultivated area.

Digital agriculture is an agriculture that is applied in combination with new and advanced technologies for production, in order to improve efficiency, create a breakthrough in productivity and quality of agricultural products, and satisfy daily demands of society and ensure sustainable agricultural development. During the talk between hi-tech agricultural enterprises and APEC Agriculture Ministers in Can Tho city, Senator Anne Rust, co-Minister of Agriculture and Natural Resources - Australia, sharing experiences: "Digital agricultural production is the usage of technology as the driving force which help increase economic value many times compared to

1 Data on prices of agricultural, forestry and fishery producers - General Statistics Office: Producer price index of agricultural, forestry and fishery products in August 2021 compared to July 2021 on a national scale down 1.15%, due to a decrease from the Mekong Delta (-1.93%). In this region, the largest decrease in producer prices was in the agricultural sector (-2.61%) with the largest decrease in fruit products (-11.47%) followed by products from pig production (-9,15%)

2 Enterprise survey data of General Statistics Office

traditional method. In developed countries, people have applied it to practical production with high efficiency. For the newly developed countries, the majority of farmers have implemented with small scale and scattered in many places such as in the Mekong Delta of Vietnam. What needs to be done is to find highly qualified and dedicated agricultural technology experts to take time to transfer technology for farmers to use. These experts have to be diligent in hand-holding, manipulating each button, controlling the whole system on the phone"¹.

Currently, with implementing the Agricultural Restructuring Project towards increasing added value and sustainable development after 5 years in Vietnam, it has shown that the agricultural sector has made rapid development steps. The results have shown that Vietnam's agriculture that revealed many limitations, production was still fragmented with low quality, not able to meet the demands of integration in the past, but it has initially shifted to an internationally competitive agriculture, production according to the advantages and needs of the market, linking in chains, applying science and technology in production and consumption of products. It can be seen that one of the indispensable factors determining the development of the agricultural industry in Vietnam is the application of high technology in the production and consumption process. Digital devices and applications which are based on the internet become a means for farmers to access new technological knowledge, equipping them with skills to improve farming performance. Thereby, this helps farmers solve problems of traceability, forecast market demand, forecast crop weather or disease to help them reduce risks...

In order to promote the growth of the agriculture sector and strengthen its contribution to the economy, it is necessary to have breakthrough and effective solutions in the agriculture sector. The requirements are to increase the production value of the whole industry through going up output with industries with market advantages, supporting farmers to apply science and technology in production process to improve product quality. With the question "how to ensure the quality of agricultural products that can increase production", Mr. Werner Kloos, the German Federal Ministry of Agriculture and Food affirmed: "Suitable machines can be put into agricultural production along with future digital applications in agriculture"².

To shift towards digital agriculture, we must implement many different comprehensive solutions next years, the basic solutions that need to be implemented are detailed:

Firstly, to promote the role of the people in the application of high technology; to push up raising awareness about digital technology and the propaganda to let people understand and apply high technology in the production process; to propagate high technical knowledge and then guiding people to implement.

Secondly, to implement effectively the restructure of the agricultural sector, to develop large-scale commodity agriculture in the direction of modernity, to increase added value and sustainable development.

Thirdly, to develop strongly processing industry, especially agro-forestry-fishery, trades and services in rural areas; to encourage the development of the deep processing industry, high-tech processing industry, and the supporting industries; to strengthen the application of mechanization in all stages of the

1 <http://www.bienphong.com.vn/huong-den-nen-san-xuat-nong-nghiep-ky-thuat-so>

2 <https://nongnghiep.vn/nong-nghiep-ky-thuat-so-xu-huong-cua-tuong-lai-post226068.html>

agricultural production value chain with the suitability to the conditions of each region, each type of crop and livestock; to support farmers to invest in applying mechanization in production process.

Fourthly, to apply modern and advanced technologies in agricultural production. This is an activity that brings practical efficiency and shows outstanding advantages compared to traditional agricultural production, it also limits the situation of fragmented production and low added value. In order to achieve this goal, it is necessary to support the Government, corporations operating in the agricultural sector because only these organizations have enough political and economic potential to be able to deploy and apply the most advanced technologies in agriculture.

Fifthly, to improve the capacity of scientific and technological research centers to ensure that all facilities, equipment and human can access and transmit the world's scientific and technological progress, to improve the capacity of the management, the research, the selection and the creation of various plants and animals, to ensure sufficient varieties of good quality and high commercial value, creating new breakthroughs in productivity, quality and added value of agriculture sector.

Finally, to improve the effectiveness of state management in agriculture. It is necessary to strengthen the agricultural management of the competent state agencies in order to have appropriate policies in the process of developing digital agriculture. In addition, to review the functions and tasks of agencies and units in the agricultural management system from the central to local levels; to clarify the functions of public administration, eliminate duplication, strengthen the agricultural management system in districts and communes; to implement state administrative reforms.

Second, to promote e-commerce transactions in agriculture

In the current context in Vietnam, in order to maintain and stabilize production and business activities, not to disrupt the supply chain, to stabilize jobs, support people, workers and businesses who are affected by Covid – 19 pandemic, the implementation of e-commerce transactions in agriculture is one of the appropriate measures to promote and maintain production activities among producers, businesses and consumers, contributing to the sustainable development of Vietnam's agricultural sector.

In order to develop e-commerce transactions in agriculture, it is necessary to carry out the following solutions comprehensively:

- To build and put into operation a website connecting the supply and demand of agricultural products and goods in the southern provinces (<https://htx.cooplink.com.vn/>) to remove difficulties in the supply, circulation and distribution of agricultural products.

- To coordinate and accompany localities to connect supply and demand and find solutions to promote consumption of agricultural products in the harvest season; together with the Association of Retailers and a number of corporations and enterprises to remove difficulties; to accompany localities facing difficulties in consuming agricultural products; to connect and bring agricultural products to supermarket systems, chain stores, join reputable e-commerce platforms such as: Alibaba, Amazon, Sendo, Voso, Shopee...; to connect and coordinate with telecom corporations through communication, professional delivery application businesses (Grab, GoViet...), to support digitization and promote production and consumption, enhance electronic transactions, to bring agricultural products to join the e-commerce platform in order to promote, introduce and connect consumption.

- To complete the law on electronic contracts, therefore it contributes to creating trust for businesses and consumers when entering into electronic contracts.

Currently, the regulations on entering into and electronic contracts in the Law on Electronic Transactions (2005) are still general, especially those with specific characteristics in entering into activities, such as processes and procedures entering into an electronic contract, stipulating the legal validity of an electronic contract, conditions for validity, valid and voidable contracts when conducted in electronic form. In addition, issues which arise in concluding an electronic contract during the implementation process, such as the legal value of an offer to enter into a contract, the legal value of a smart contract, and cross-border electronic transactions. border, payment methods, etc., are still no regulations to solve the inadequacies in the management of the export and import of digital information products, e-commerce activities on social networks, and mobile phone platform, etc. Therefore, it is necessary to complete the legal provisions on electronic contracts. In particular, to add provisions on the concept of an offer to enter into an electronic contract, on the validity period of an offer for electronic contract, on the change, withdrawal, cancellation and termination of the proposal to enter into an electronic contract. At the same time, to regulate the concept of accepting an offer to enter into an electronic contract, the time limit for replying to accept the conclusion of an electronic contract, and the content of the electronic contract. The issues of validity conditions of electronic contracts, invalid electronic contracts and how to handle invalid electronic contracts are applied to the corresponding provisions of the Civil Code.

CONCLUSION

With the strong and rapid development of Vietnam's agricultural industry in the future, we cannot stay out of the current trend of developing digital agriculture. If we do not update and keep up, we will not be able to compete with other countries, and people's lives will not be improved much. In order to do this, it requires the cooperation and contribution of many forces from the drastic direction of the Party, to the competent state management agencies. At the same time, uniform measures must be taken and perfected the legal provisions on e-contracts are perfected. As a result, we can develop the digital agriculture industry and enhance e-commerce transactions to both support farmers as well as businesses. They will have the opportunity and conditions to access quickly, conveniently and effectively domestic and foreign consumer markets.

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IMPROVING THE QUALITY OF PRIVATE SECTOR LOANS AT THE JOINT STOCK COMMERCIAL BANK FOR INVESTMENT AND DEVELOPMENT OF VIETNAM

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Abstract: *Joint Stock Commercial Bank for Investment and Development of Vietnam is the longest established bank in Vietnam and is among the biggest banks in Vietnam. Since its establishment (1957), BIDV has always fully implemented the guidelines, and economic development policies directions of the Government. The private sector is a major focus of BIDV. As of 2021, there are more than 600,000 enterprises in Vietnam, of which 83% are private ones. The number of customers and total loans to private sector account for a significant proportion at BIDV. Therefore, an important factor to promote sustainable development of the private sector is to improve the quality of loans. Therefore, the article focuses on the main contents: (1). Theoretical basis for lending quality of the private sector, (2). Recommend some solutions to improve the quality of private economic lending at the Joint Stock Commercial Bank for Investment and Development of Vietnam.*

Keywords: *Lending to the private economy, Quality of lending to the private economy, Improving the quality of lending to the private economy.*

1. PRIVATE SECTOR LOANS AND THE QUALITY OF PRIVATE SECTOR LOANS AT COMMERCIAL BANKS

- *Customers of the private sector included individual business households, private companies, limited liability companies, joint stock companies, partnerships.*

- *Lending to the private sector is a form of credit extension, whereby commercial banks assign customers of private sector to use a certain amount of money for a certain purpose in a certain period with an agreement that the borrower should be able to repay the loan and interest in time at regular intervals without default.*

- *Requirements to improve the quality of private sector loans:*

> For commercial banks:

. *The quality of private accounting loans has a great influence on the existence, development or bankruptcy of commercial banks.*

. *Improve the quality of private sector loans to ensure timely response of capital to customers.*

. *High - quality loans of private sector create favorable opportunities for the development and business efficiency of commercial banks.*

> For customers of private sector:

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. Customers meet capital requirements for their production and business to expand investment, and improve product quality.

. Improve competitiveness, contribute to the healthy financial status of customers.

> For the economy:

. Increase the rotation of capital in the economy, save circulation costs, strengthen the purchasing power of money.

. Contributing to controlling inflation, stabilizing the money market, economic growth, increasing national prestige.

2. SOME SOLUTIONS TO IMPROVE THE QUALITY OF PRIVATE SECTOR LOANS AT JOINT STOCK COMMERCIAL BANK FOR INVESTMENT AND DEVELOPMENT OF VIETNAM.

- Firstly, improve the quality of loan appraisal.

Loan appraisal is the first and foremost step in the loan process. BIDV must fully and strictly implement the appraisal contents for all private sector customers. Contents of appraisal include: status of the borrowers; management capacity; financial situation; feasibility of the loan plan and loan security measures.

- Secondly, loan security.

Depending on different types of loans and customers, BIDV needs to fully determine loan security. Loans can be either secured or unsecured. When private sector customers fail to repay debts on time, depending on the overdue level, BIDV will handle the debts in accordance with current laws.

- Thirdly, improve the process and procedures for lending to private sector customers.

The simpler and quicker lending process and procedures will help customers to access their loan needs in a timely manner, thereby leave a good impression on them.

BIDV needs to develop a reasonable process and procedures for lending to private sector customers. Loan processes and procedures need to meet a number of standards: comfort and convenience for customer, reducing unnecessary administrative procedures, active support for customers in the transaction process, minimum transaction time.

- Fourthly, strengthen customer care, actively seek new customers.

Always make customers feel comfortable. Listen carefully to advise the customer on the most suitable loan product, and at the same time make the customer feel respected and warmly welcomed.

Focus on finding new customers, and at the same time caring and taking care of existing customers, because retaining existing customers is sometimes harder than finding a new customer. Therefore, BIDV needs to build a good customer retention program to turn regular customers into loyal customers.

- Fifthly, strengthen the inspection and supervision of loan application.

The inspection and supervision of loan application to ensure that banks' capital is invested for the right purposes and to improve the lending efficiency. Inspection and supervision at BIDV

are performed in three stages in the lending process: before, during and after granting loans to customers. In the coming time, BIDV needs to propose measures to improve the efficiency of inspection and supervision of capital use to avoid improper use of capital, leading to overdue debt and bad debt. .

CONCLUSION

Private sector loans at BIDV are at higher number of customers and increasing loan volume. Therefore, improving the quality of loans is important to promote the rapid and sustainable development of the private sector in the process of international economic integration.

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DEVELOPING VIETNAM'S PRIVATE ECONOMY IN THE CONTEXT OF COVID-19 PANDEMIC: A CASE STUDY IN HANOI

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Abstract: *In 2020, the number of newly registered firms in Vietnam decreased by 2.3% compared to 2019. The number of enterprises suspending business for a definite time, stopping operations, waiting for dissolution procedures and completing dissolution procedures increased by 13.9% (Vuong, 2021). Most of the enterprises had to suspend their business and dissolve their activities in trade and services; Larger firms withdrew from the market more. Business is affected across the board, most notably with micro and small businesses. Vietnam needs to continue with more robust legal and structural reforms to create a solid foundation for competition and innovation in the economy, therefore, promoting the development of the private sector to reach its goal of growing a high-income country by 2045. This article focuses on analyzing the current situation of private economic development in Hanoi City, Vietnam, indicating achieved results, limitations, causes and some recommendations. They were promoting private economic development in Hanoi, Vietnam, in the context of the Covid-19 epidemic.*

Keywords: *Development, private economy, Hanoi, Vietnam, Covid -19*

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