

# FACTORS AFFECTING INVESTMENT ATTRACTION: A CASE STUDY IN TRA VINH PROVINCE, VIETNAM

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## Abstract

The objective of this study is to help the government of Tra Vinh province find out the factors affecting investment attraction in Tra Vinh province over the past time. The study used the method of collecting primary data from 400 investors who have been investing and doing business in Tra Vinh province. The author relies on related studies and applies a multivariate regression model. The study found four factors affecting the ability to attract investment to Tra Vinh province: Infrastructure, Geographical location, Input costs and Human resources. In which, human resources and infrastructure are the two factors that most affect the ability to attract investment to Tra Vinh province. Particularly, two factors: Preferential Policy and Local Government are not highly appreciated by investors. From the research results, the author has proposed solutions to improve the ability to attract investment in Tra Vinh province, Vietnam in the coming time.

**Keywords:** Investment Attraction, Investors, Multivariate Regression, Solutions, Tra Vinh Province...

**JEL Code:** E22, G41, I38, O15, R11.

## 1. INTRODUCTION

Tra Vinh province covers a natural area of 2,314 km<sup>2</sup>, located in the Southeast of the Mekong Delta, bordering Vinh Long province to the North, Ben Tre province to the East and Northeast by the Co Chien River, and to the West and Southwest by the Co Chien River with Soc Trang province by the Hau River and the East is bordered by the East Sea. The whole province has 03 main national highways, 53, 54 and 60, which are currently being upgraded to level 3 delta connecting Tra Vinh with Ho Chi Minh City and other provinces in the Mekong Delta. Along with 65 km of coastline, it is a favorable condition for the development of marine and coastal economic sectors such as industry, agriculture, tourism and other marine economic sectors (*Tra Vinh Government (2022)*).

The province always focuses on creating maximum conditions to attract resources, diversify investment capital sources and economic sectors to participate in the development of industry and handicrafts in the direction of fast and sustainable development as a lever for rapid economic restructuring towards industrialization and modernization, contributing to job creation and income growth for people; The production and business activities of enterprises in the Economic Zone and the Industrial Park are on the rise: The total value of industrial production (2010 constant price) is estimated at: 15,644.48 billion VND, an increase of 32.44% over the same period, reaching 86.91% of the plan in 2019; The province has 348 valid projects, including 41 foreign investment projects with a total registered capital of 3.1 billion USD (thermal power project 2 accounts for 2.41 billion USD) and 307 investment projects in the

province. Country with a total registered capital of 105,968.23 billion VND. (*Tra Vinh Statistical Office (2022)*).

In the Economic Zone and Industrial Park, there are 81 projects, including 16 foreign investment projects with a total registered capital of about 2.87 billion USD and 65 domestic investment projects with a total registered capital of 99,799.62 billion dong. In addition to the Economic Zone and the Industrial Park, there are 267 projects of which 25 foreign projects with a total registered capital of about 0.23 billion USD and 242 domestic projects with a total registered capital of about 6,168.61 billion dong. (*Tra Vinh Government (2022)*).

The province's economy has continuously achieved good growth. Specifically, the average growth rate (GRDP) in the period 2013-2018 reached 9.64%. Particularly in 2018 despite many difficulties and challenges, the province's GRDP still reached 11.05%. However, the province's economic development over the years has not been really solid: GDP per capita is still low compared to the national average, infrastructure has not met the requirements of fast and sustainable development. The mobilization of capital from the people and economic sectors in the province accounts for a low proportion of the total investment capital of the whole society (*Le Thi Ngoc Thuy (2020)*).

In general, the land of Tra Vinh still has a lot of untapped natural potential. Due to objective and subjective conditions, the results of investment attraction in the area in recent years are still quite modest compared to the reality and inherent strengths of the province; from the results of practical surveys and references. The opinions of investors, the policies that have been and are being applied by some provinces and cities in the Mekong Delta show that the problem of investment attraction research creates a premise for socio-economic development. Association is very necessary for Tra Vinh to mobilize maximum resources for the development of the province. (*Tra Vinh Provincial People's Committee (2022)*)

## 2. LITERATURE REVIEW

According to behavioral theories, the investment decision of the enterprise is ultimately the decision of the managers, so it is also influenced by individual factors. Studies done by Kahneman and Tversky (1979); Waweru et al (2008) show that investment decisions are also influenced by psychological, emotional and behavioral factors. It is an investment decision that is influenced by the investor's personal desires, goals, prejudices, and emotions. Theories of behavioral finance offer criteria such as diagnostics, bias, effects, sense of loss, risk aversion, etc. to influence and change investors' decisions (Pavabutr, 2002). . In this behavioral perspective, local marketers also argue that investment decisions have similarities with purchasing behavior (Kotler, 2002).

When conducting research on foreign direct investment, author Dunning (1977) said that enterprises make direct investment abroad when they meet 03 conditions: (i) the enterprise must own advantages. compared with other enterprises, such as: scale, technology, marketing network, ability to access capital with low productivity; (ii) internalization: it is more beneficial to use those advantages within an enterprise than to sell it to another enterprise or lease it to

another enterprise; (iii) production in the host country costs less than in the country of origin.

The theoretical research on investment behavior of the author Romer (1986) shows that the investor's behavior is directly affected by: (i) the change in demand; (ii) interest rates; (iii) the level of development of the financial system; (iv) public investment; (v) human resources; (vi) other investment projects in the same industry or in related industries; (vii) the situation of technology development, the ability to absorb and apply technology; (viii) the degree of stability of the investment environment; (ix) procedural requirements and (x) information adequacy.

The role of marketing in the development of countries and localities has been affirmed by managers many decades ago (Drucker, 1958), "local development does not depend on geographical location". Climate, natural resources [18]. The future development of the locality depends on the expertise, contributing skills, and the quality of local people and organizations." According to Kotler (2002), local marketing is a system of activities performed by the locality. To enhance competitiveness. This is the construction of differentiating factors "artificial" rather than natural factors such as geographical location, natural resources. Effective marketing activities will help the locality become more attractive in the eyes of target customers; and this is also a system of action programs that can change the socio-economic status of the locality for the better.

According to Lv Na & W.S. Lightfoot (2006) based on the exploratory analytical model, the research shows that the factors affecting the imbalance in the allocation of FDI inflows to localities in China are: market size, agglomeration, labor quality, labor costs, degree of openness and reform process.

*Paulo Elicha Tembe & Kangning Xu (2012)* studied on attracting foreign direct investment for developing countries: the case study of Mozambique. The author used multivariate regression model for analysis. The author believes that, in order to attract investors to invest in a developing country like Mozambique, factors affecting the attraction of investment capital include: geographical location and level of infrastructure investment. floor; market size; the country's export policy; the country's natural resources; whether labor resources can be met or not; risks to the economic and political environment of a country.

Liargovas, Panagiotis G., Skandalis & Konstantinos S. (2012) using regression analysis, the authors used a sample of 36 developing economies in the period 1990-2008 to consider the importance of trade openness for attracting foreign direct investment flows. The results show that trade opening has made a positive contribution to FDI inflows into developing economies.

Doskaliyeva, Bayan B.; Orynassarova, Yerkenazym D.; Omarkhanov, Zhibek M.; Karibaev, Yerkebulan S.; Baimukhametova, Ayagul S. (2016) using methods of evaluation analysis, theoretical modeling, classification, grouping and logical generalization graphical methods. The team concluded that Kazakhstan needs to innovate in its infrastructure development to be able to attract new sources of investment into the country. At the same time, there must be a breakthrough solution for attracting investment to build a complete chain of investment support systems for projects for industrial innovation and development in Kazakhstan.

Thai Dang Khoa (2010) used the SWOT matrix analysis method, made combinations to take advantage of strengths, promote opportunities, overcome weaknesses and avoid challenges. The main solutions to focus on implementation to improve the investment environment, enhance the potential to attract investment capital into the industrial zones of Soc Trang province include: solutions for raw materials and human resources; administrative procedures, legal mechanisms and policies to attract investment; solutions on investment promotion and provincial competitiveness index improvement; planning, effective use of land and environmental protection, solutions for capital mobilization and Ly Minh Cuong (2011) through the current situation of FDI attraction in Binh Duong, the author orients groups of solutions to implement, thereby proposing specific solutions to promote the attraction of FDI projects for Binh Duong province by 2015.

Nguyen Thi Nhan (2011) pointed out solutions to attract investment capital into industrial zones of Quang Nam province, including: completing and improving the quality of infrastructure; perfecting mechanisms, policies and reforming administrative procedures, renovating forms of investment incentives and support for businesses, preferential policies need to have an equal perspective towards domestic and foreign enterprises.; Innovative solutions and enhanced investment promotion; training and improving the quality of human resources.

Lam Van Dat (2012) the author analyzes the current situation of attracting FDI into industrial zones in Binh Phuoc province; thereby orienting groups of solutions to promote FDI attraction to industrial zones for the period from 2012 to 2020. The thesis is carried out by method of dialectical materialism, survey, statistics, and comparison. Comparison to analyze and evaluate the reality of the research problem.

Ha Nam Khanh Giao et al (2013) based on an exploratory analysis model to evaluate the factors affecting the attraction of investment capital to Quang Tri province. to attract investment capital into Quang Tri province, including: decision-making process related to investment procedures; support policies from regulatory agencies related to investors; technical infrastructure; resources; infrastructure of industrial parks and economic zones; social infrastructure; market potential; input cost advantage;...

Le Thanh Dong (2016) said that referring to the experience of developing industrial zones and economic zones of other localities at home and abroad has been a strategic priority in the orientation of industrial development of each locality. Direction. The development process shows that each industrial park and economic zone has different natural and social conditions and starting points, but the challenges of sustainable development are quite similar. Therefore, refer to the experience of success and failure in attracting foreign direct investment capital into the development of industrial parks and economic zones of some localities in the country, some countries and territories. If the land has similarities in the region, it will contribute significantly to give suggestions for suitable solutions for attracting foreign direct investment capital into Ha Tinh in particular and the whole country in general.

Doan Thi Minh Hai (2018) affirmed that the transparency of information on attracting investment capital is a very important factor affecting investment decisions of enterprises.

Therefore, it is necessary to have practical solutions on information transparency, build interactive websites between local authorities and businesses to listen to the difficulties and obstacles of businesses in the process of developing information. Operating procedures in industrial zones in the area, from which to have appropriate solutions. In addition, information about partners will open up many opportunities in accessing and developing business systems, boosting production and earning profits. Information about competitors helps businesses to proactively respond to and improve competitive efficiency in the market.

Le Do Truong Kha (2018) by statistical method describes the results of analysis of indicators reflecting the results of investment attraction in industrial zones such as: occupancy rate of industrial zones; attractive scale and structure of investment capital; industrial park infrastructure; land costs; support vocational training for employees; supporting working conditions for workers in the industrial park. The author proposes solutions to enhance the attraction of investment and development of industrial zones in Binh Duong province, such as: completing the planning for development of industrial zones; investment promotion work; improve the investment environment; preferential policies and investment support.

Nguyen Viet Bang, Le Quoc Nghi, Le Cat Vi (2016) surveyed of 365 respondents who are direct investors from abroad in Bien Hoa 1 Industrial Park, Bien Hoa 2, Research results show that investors' decisions are directly affected by 8 factors: (1) infrastructure (infrastructure); (2) human resources (human resources); (3) quality of public services; (4) advantages of investment industry; (5) local brands; (6) investment policy; (7) living and working environment; (8) competitive input costs and among these eight factors, infrastructure and human resources are the two factors that have the most impact on investor satisfaction.

In summary, through synthesizing a number of related studies, it shows that the factors affecting the ability to attract investment in economic zones and industrial zones are done by considering and evaluating related factors including: characteristics factors inside the enterprise and factors outside the enterprise such as: infrastructure, investment incentives, geographical location of human resources, input costs, capital of the enterprise, business size... After all, it is the decision of the managers, so it is also influenced by individual factors. In terms of analytical methods, studies are carried out through three steps, (1) exploratory research through secondary data, (2) exploratory research by qualitative method: conducting discussion. With state management agencies on investment, and a number of enterprises investing and doing business in the area, (3) official research by quantitative research method using primary data.

### 3. RESEARCH METHODOLOGY

This study uses a model to determine the factors affecting the ability to attract investment in industrial parks, based on the research model of Nguyen Viet Bang et al. (2016) and the studies that inherit the results. Methods of previous studies, but with the adjustment of the scale to suit the study area and additional local characteristics. All independent variables in the model are expected to have a positive impact on the ability to attract investment to Tra Vinh province. All observed variables are measured using a 5-level Likert scale.

**Table 1: Summary of variables in the model**

No.	Variable Codes	Names of Variables	Basics of Variable selection	Expectations of variables
1	X <sub>1</sub>	Infrastructure	Dunning (1977), Liargovas, Panagiotis G., Skandalis & Konstantinos S. (2012), Nguyen Viet Bang, Le Quoc Nghi, Le Cat Vi (2016), Thai Dang Khoa (2010), Kotler (2002). Le Do Truong Kha (2018)	+
2	X <sub>2</sub>	Preferential Policy	Kahneman and Tversky (1979), Doskaliyeva, Bayan B. et al. (2016), Le Thi Lan (2017), Nguyen Viet Quan (2018), Le Do Truong Kha (2018), Doan Thi Minh Hai (2018)	+
3	X <sub>3</sub>	Geographical Location	Drucker (1958), Kangning Xu (2012), Nguyen Thi Ninh Thuan and Bui Van Trinh (2012), Nguyen Viet Quan (2018)	+
4	X <sub>4</sub>	Input Costs	Dunning (1977), Nguyen Viet Bang, Le Quoc Nghi, Le Cat Vi (2016), Doan Thi Minh Hai (2018), Ha Nam Khanh Giao et al (2013)	+
5	X <sub>5</sub>	Local Government	Romer (1986), Doskaliyeva, Bayan B. et al. (2016), Nguyen Viet Quan (2018), Le Thi Lan (2017), Le Do Truong Kha (2018)	+
6	X <sub>6</sub>	Human resource	Lv Na & W.S. Lightfoot (2006), Doskaliyeva, Bayan B. et al. (2016), Nguyen Viet Bang, Le Quoc Nghi, Le Cat Vi (2016), Ha Nam Khanh Giao et al (2013) Survey of experts	+
	Y	Ability to attracting	Collected from the above studies.	+/-

*(Source: Collected from the author's researches)*

The author group interviewed 400 samples from the Investors who are investing in industrial zones in Tra Vinh province and using by regression analysis estimates or predicts the mean value of the dependent variable on the known basis of the independent variable to ability to attracting. After evaluating the reliability of the scale by Cronbach's Alpha coefficient and exploratory factor analysis (EFA), the study continued to test the Multivariable Regression model.

#### 4. RESEARCH RESULTS

Comparing the two values of R<sup>2</sup> and R<sup>2</sup>, it can be seen that R<sup>2</sup> is larger than adjusted R<sup>2</sup>, which is safer to judge the fit of the model because it does not inflate the fit of the model. The F-test has a value of 746,610 with Sig significance. = 0.000 b shows that the multiple regression model is appropriate and usable. The maximum variance magnification factor (VIF) is 1,876 < 10, showing that there is no multicollinearity phenomenon.



**Table 2: Results of Multivariable Regression model**

Model		Coefficients <sup>a</sup>						
		Unstandardized Coefficient		Standardized Coefficient	T	Sig.	Collinea	
		B	Std. Error	Beta			Tolerance	VIF
1	Constant	2.535E-16	.014		.000	1.000		
	Infrastructure	.062	.026	.062	2.510	.016**	.324	1.085
	Preferential Policy	-.007	.025	-.007	-.270	.795 <sup>ns</sup>	.348	1.876
	Geographical Location	-.005	.027	-.005	-.198	.043**	.287	1.490
	Input Costs	-.051	.027	-.051	-1.860	.064*	.275	1.635
	Local Government	-.018	.026	-.018	-.683	.495 <sup>ns</sup>	.304	1.295
	Human resource	.973	.027	.973	6.256	.000***	.287	1.482

(Dependent variable (Attractability); (Significance: \*\*\*, \*\*, \*: 99%, 95%, 90%) ns: not statistically significant). (Source: Author synthesized from survey data by SPSS)

Results of regression analysis and testing of research hypotheses show that there are 04 variables that affect the ability to attract investment to Tra Vinh province: human resources with 99% significance level, infrastructure and geographical location has 95% significance, Input cost has 90% significance. While, Incentive policy and local institutions are not statistically significant. This can be explained, foreign investors do not appreciate local institutions as well as preferential policies in Tra Vinh province because they are similar to other provinces in Vietnam.

## 5. SOLUTIONS TO IMPROVE THE ABILITY TO ATTRACT INVESTMENT IN TRA VINH PROVINCE IN THE COMING TIME

### 5.1. Improving to human resource training

Strengthen communication and career orientation counseling for young people and students; have mechanisms and policies to support vocational training institutions, encourage enterprises to use local labor and train workers in technical skills to meet the needs in the process of developing their production and Investors.

To improve professional skills for officials, civil servants and public employees engaged in investment promotion, management, construction, operation and exploitation of infrastructure works in the Economic Zone and, Industrial Park.

### 5.2 Developing to Infrastructure

- Mobilizing and effectively using investment capital. Take advantage of capital sources from the State budget, ODA loans and preferential loans to invest in the development of transport, electricity, water and information infrastructure, creating favorable conditions for industrial development; promote private economic resources to invest in infrastructure of economic zones and industrial zones in the form of package investment, infrastructure investment in association with creating a clean land fund to attract investment projects...

- Synchronous development of social infrastructure with industrial development. Formulate policies to encourage and create conditions for the development of clean industry with high science and technology content, saving raw materials, energy and being environmentally.

### 5.3. About the preferential policy

- Improving capacity and efficiency of investment promotion activities. Effectively organize investment promotion and promotion, to the right audience, with focus and focus to attract capital from the people, domestic and foreign enterprises. To increase investment attraction in the direction of prioritizing large-scale projects, potential projects, and advanced technologies to create a driving force to promote the province's socio-economic development quickly and sustainably. Select projects with regional linkages, projects with a high domestic rate and a large proportion of exports; give priority to attracting investment capital in the field of restructuring agricultural - fishery production, promoting economic restructuring, creating efficiency in productivity and quality; specialized farming goods production areas, difficult economic zones, creating favorable conditions to promote the development of economic zones and industrial zones in the province.

### 5.4 To administrative reform

- Continuing to promote the improvement of the investment and business environment, ensuring publicity and transparency, healthy competition, equality for investors and accountability of State administrative agencies. Well implement regulations on business conditions and specialized management of exported and imported goods and services, in line with international practices.
- Accelerating administrative reform, shortening the handling process, enhancing the coordination between relevant departments, agencies, sectors and localities in the province to implement the "one-stop shop" mechanism, minimizing the time and administrative costs. Support and help investors promptly remove difficulties and obstacles in the process of project implementation.

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