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INVESTMENT ACTIVITIES IN VIETNAM IN THE PERIOD 2010-2022 - ISSUES AND RECOMMENDATIONS

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ABSTRACT:

This study aimed to analyze the current status of investment activities in Vietnam. The data collected focused on the scale of social investment capital in Vietnam from 2010 to 2022. The study evaluated the results and limitations of investment activities in Vietnam. Based on the analysis, the study proposed various recommendations to improve investment activities in Vietnam in the future.

KEYWORDS:

Investment activities; Social investment capital; Vietnam.

1. Introduction

Investment is a crucial factor in the socio-economic development of both countries and localities. It serves as an input to create a "nudge" that promotes the economic growth of each country. Vietnam is not an exception to this trend. The government has implemented policies to create a favorable investment environment for both domestic and foreign investors to carry out investment activities. These investment activities can encourage the "aggregate demand" factor in the economy, leading to the country's economic growth and development. (Source: GSO, 2023; GSO, 2020).

Based on statistical results from the General Statistics Office, Vietnam has achieved notable results in investment activities from 2010 to 2022. The scale of social investment capital has been increasing steadily during this period. In 2010, the scale of investment capital for social development was around 1,044,875 billion VND, and it has increased to about 3,219,807 billion VND in 2022. The non-state economic sector made the largest contribution with about 1,873,209 billion VND in 2022, which is about 58.18% of the total. These positive trends in the scale and quality of investment activities have contributed to the growth and development of Vietnam's economy.

However, Vietnam's investment activities have seen some positive developments, but there are still significant limitations that need to be addressed. (I) The ratio of realized investment capital to grossdomestic product is still relatively low, at only 33.85%, as per the General Statistics Office's 2023 report. This indicates that there is significant potential for investment growth in Vietnam that is yet to be realized. (ii) Vietnam has not been able to attract enough investment capital flows from domestic and foreign sources, which is not commensurate with Vietnam's existing potential, especially in the aftermath of the Covid-19 outbreak, which has caused "turnaround" impacts on the world economy and movement trends of investment capital flows of countries. The ratio of realized investment capital compared to registered investment capital of foreign direct investment in 2022 is a mere 76.46% (Source: General Statistics Office, 2023). (iii) Investment policies such as investment promotion and investment linkage have not been able to deliver their full potential in the current "new normal" context.

It is necessary to conduct a study on "Investment Activities in Vietnam in the period 2010-2022 - Issues and Recommendations" to analyze the current status of investment activities in Vietnam. The study will analyze the current status of investment activities in Vietnam, cover achievements, limitations, identified causes, and proposed recommendations to further improve investment activities in Vietnam until 2030.

2. Research overview

Investment activities, attracting domestic investment capital, and attracting foreign direct investment capital have received the attention of scientists under different approaches. The research of Nguyen Thi Huong Giang (2021), Nguyen Thi Kim Hong (2023), Nguyen Anh Dung, and colleagues (2023) has focused on foreign direct investment groups in Vietnam. Both studies analyzed the current state of foreign direct investment attraction activities in Vietnam during a specific period. The researchers examined the results achieved in attracting FDI, identified limitations in attracting this capital flow, and proposed solutions to overcome these obstacles in attracting FDI to Vietnam today.Author Nguyen Thi Kim Hong (2023) focuses on proposing solutions to attract FDI by industry and locality. Meanwhile, authors Nguyen Thi Huong Giang (2021), and Nguyen Anh Dung, and colleagues (2023) focus on proposing policies to create favorable mechanisms and conditions for attracting FDI in Vietnam in the coming period.

Regarding domestic and public investment capital, Nguyen Thi Thuy Lien (2022) and Bui Tat Thang (2017) have researched the issues raised by public investment in Vietnam. Nguyen Thi Thuy Lien's study focuses on evaluating the current state of investment activities funded by the state budget. The study highlights some inadequacies related to this investment activity, such as the unreasonable structure of public investment and its heavy reliance on state budget capital instead of private capital flows through PPP investment. The study has identified certain limitations in Vietnam's public investment and suggested solutions to improve its scale and efficiency in the future. Bui Tat Thang (2017) has analyzed the connection between public investment and sustainable development. The study also highlights the need for public investment activities to promote economic growth, economic development, and sustainable social life in Vietnam while ensuring security.

Research conducted in Vietnam has analyzed the results achieved through various investment activities in the country. However, with the outbreak of the Covid-19 pandemic, investment activities in Vietnam have also changed. Therefore, it is necessary to conduct a comprehensive study of investment activities in Vietnam from 2010 through 2022. From there, analyzing the achieved results and shortcomings and proposing recommendations for Vietnam's investment activities in the coming period is necessary.

3. Research Methods

The study collected data from documents published by the General Statistics Office between 2010 and 2022 via the website Gso.gov.vn. Additionally, the study also utilized data published in specialized scientific journals as the basis for the research overview and the theoretical basis for the research.

From the collected data, the study uses descriptive statistics, comparison, and interpretation methods to analyze the research results to achieve the set research goals.

4. Research findings

Between 2010 and 2022, investment activities in Vietnam experienced positive fluctuations from 2010 to 2020. However, the outbreak of the Covid-19 epidemic in 2020–2022 has damaged both domestic investment activities and the attraction of foreign direct investment capital.

According to statistical results of the General Statistics Office, the scale of foreign direct investment capital in Vietnam in the period 2010-2022 is as follows:

Table 1: Scale of foreign direct investment capital licensed for implementation in the period 2010-2022

Year	**Registered capital**	**Realized capital**	**Ratio of VTH/VĐK**
Unit	***Million USD***	***Million USD***	***%***
2010	19886,8	11000,3	55,31
2011	15598,1	11000,1	70,52
2012	16348	10046,6	61,45
2013	22352,23	11500	51,45
2014	21921,65	12500	57,02
2015	24115	14500	60,13

2016	26890,46	15800	58,76
2017	37100,6	17500	47,17
2018	36368,55	19100	52,52
2019	38951,69	20380	52,32
2020	31045,33	19980	64,36
2021	38854,3	19740	50,81
2022	29288,21	22396	76,47

Source: General Statistics Office

Regarding the scale of foreign direct investment capital registered in the 2010–2022 period, it tends to increase during this period. The registered capital was around 19,886.8 million USD in 2010 and reached about 29,288.21 million USD in 2022. The increase in the scale of FDI investment in Vietnam partly reflects Vietnam's favorable investment environment, and policies that attract foreign investment tend to fluctuate positively over time. Thereby contributing to a positive impact on Vietnam's FDI attraction during the research period, especially in the current context of widespread international economic integration.

Regarding the scale of realized investment capital, it has also tended to change in a positive direction. In 2010, it was around 11,000 million USD, while in 2022, it has risen to about 22,396 million USD. This increase indicates the positive trend in Vietnam's investment attraction tools and activities, particularly concerning foreign direct investment capital flows.

Regarding the ratio of realized capital compared to registered capital of FDI capital flows attracted to Vietnam, this shows a positive signal in the disbursement rate of these projects. This can be attributed to the fact that projects are now being appraised and selected more rigorously and thoroughly, leading to a reduction in discontinued and delayed projects. As a result, investment activities in Vietnam have been positively impacted.The rate of disbursing funds for projects has shown improvement since 2010. However, the ratio of realized capital to registered capital is only about 55.31%. This number is expected to increase to about 76.47% by 2022. Unfortunately, due to the impact of the Covid-19 epidemic, investment activities are expected to slow down significantly in 2021. This will cause the disbursement rate of capital flow to decrease to about 50.81%; this figure is lower than the overall average rate recorded during the entire research period.

Vietnam's total social investment capital as a percentage of its gross domestic product has remained relatively stable from 2010 to 2022, with a slight downward trend:

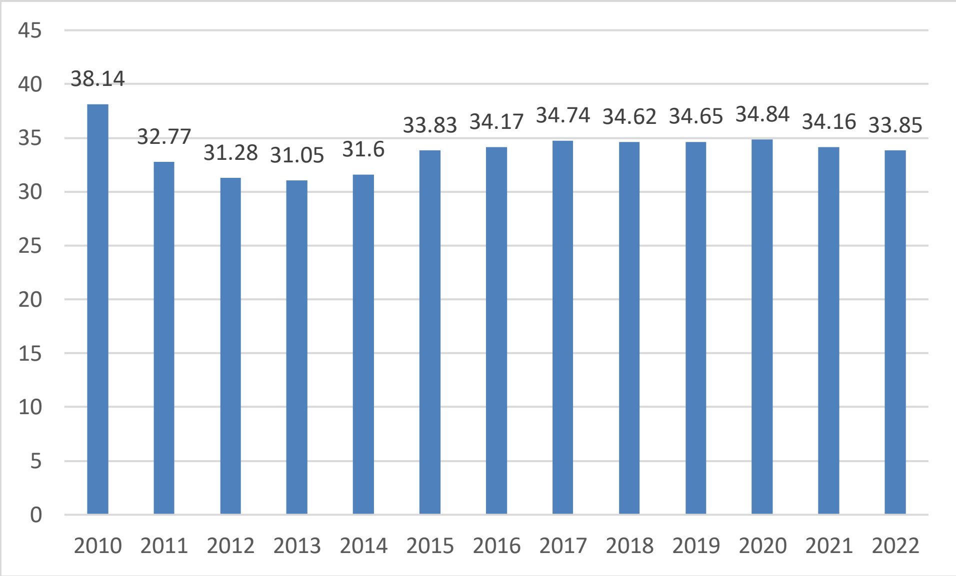

Figure 1: Socially realized investment capital compared to gross domestic product *Unit: %*
Source: General Statistics Office

Based on Figure 1, it is evident that the proportion of realized investment capital to the gross domestic product at actual prices remains relatively stable, accounting for approximately 33% of the gross domestic product. Notably, there is a trend of decreasing proportion from 2010 to 2022. In 2010, the proportion was around 38.14%, while it reached approximately 33.85% in 2022.

Regarding the scale of social development investment capital divided by economic components in Vietnam, it is shown as follows:

Table 2: Scale of social development investment capital divided by economic components

Unit: Billion VND

Year	Total	State economy	Non-state economy	Foreign-invested sector
2010	1044875	364286	466083	214506
2011	1160185	387576	545718	226891
2012	1274196	459504	596119	218573
2013	1389036	493724	655200	240112
2014	1560135	529468	765267	265400
2015	1756240	556380	881760	318100
2016	1926864	587110	988651	351103
2017	2186560	616459	1173901	396200
2018	2426400	630142	1361156	435102
2019	2670471	643094	1557937	469440
2020	2803065	734735	1605050	463280
2021	2896728	719293	1719354	458081
2022	3219807	824657	1873209	521941

Source: General Statistics Office

The scale of social investment capital is concentrated mainly in the non-state economic sector, with the contribution level accounting for over 50% of the total social investment capital, specifically

Regarding the scale of investment capital from the state economy, it tends to increase in the period 2010–2022. It has steadily increased from 364,286 billion VND in 2010 to approximately 824,657 billion VND in 2022. On the other hand, investment capital from the non-state economy has seen a significant spike, rising from VND 446,083 billion in 2010 to VND 1,873,209 billion in 2022. The foreign-invested sector also experienced a similar increase, with investment capital growing from about 214,506 billion VND in 2010 to 521,941 billion VND in 2022.

However, when analyzing the investment capital contributions of different sectors to society as a whole, a decreasing trend can be observed in the proportion of contributions from both the state and foreign-invested sectors in the research period. In 2010, the state economic sector contributed approximately 34.86% to the total social investment capital, but by 2022, this number had decreased to approximately 25.61%. Similarly, the economic group with foreign investment capital contributed about 20.53% to the total social investment capital in 2010, but this figure decreased to about 16.21% in 2022. The non-state economic sector tends to increase its contribution to the total scale of social investment capital; the contribution proportion of this sector was about 44.61% in 2010 and, by 2022, increased to about 58.18%. This partly shows the strong development in investment in the non-state economic sector in Vietnam during the research period from 2010 to 2022.

The increase in the scale of investment capital for social development has impacted Vietnam's economic growth, specifically as follows:

Table 3: Results reflecting the correlation between social development investment capital and gross domestic product

Correlations

		Social investment capital	Gross domestic product
Social investment capital	Pearson Correlation	1	.995**
	Sig. (2-tailed)		.000
	N	13	13
Gross domestic product	Pearson Correlation	.995**	1
	Sig. (2-tailed)	.000	
	N	13	13

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Author's calculations based on data from the General Statistics Office

The results of quantifying the relationship between social investment capital and gross domestic product have revealed a positive correlation between social investment capital and gross domestic product in 2010–2022. The Pearson Correlation coefficient of 0.995 indicates a strong correlation between these two variables. Increasing social investment capital is a positive approach that enhances the gross domestic product, aligning with the economy's aggregate demand channel.

5. Conclusion and recommendations

Investment activities in Vietnam from 2010 to 2022 have yielded positive outcomes in terms of investment capital scale and its contribution to economic growth. However, the rate of disbursement of social investment capital in public and foreign investment groups is not currently at an optimal level. To enhance investment activities in Vietnam and utilize it as an effective channel to stimulate the country's economic growth, some recommendations are proposed as follows:

Firstly, to effectively mobilize investment capital, it is necessary to establish policies and tools that clearly outline priority areas for investment. Additionally, it is crucial to rigorously appraise investment projects to increase the proportion of successful implementation and reduce the rate of "hanging" projects in localities as well as in Vietnam. Developing investment promotion channels is an effective solution to bolster Vietnam's position in attracting domestic and international investment.

Secondly, investment management activities need to be implemented more strictly, it is necessary to have processes and toolsets in managing investment activities, thereby avoiding loss and waste in investment.

Thirdly, it is necessary to build a list of investment priorities by locality, sector, and region to maximize the "power" of investment activities in promoting national economic growth and development.

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