

PROVINCIAL COMPETITIVENESS UNDER THE PERSPECTIVE OF VIETNAMESE ENTERPRISES A CASE STUDY IN BAC GIANG PROVINCE, VIETNAM

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Abstract

This paper is aimed at analyzing the current state of provincial competitiveness through Provincial Competitiveness Index (PCI) and the enterprise's assessments on criteria in each group of the PCI. The data were utilized in the study were collected from the survey of 126 enterprises in Bac Giang, Vietnam, which are directly involved in the provincial competitiveness index assessment process. Using the data collected from the survey, along with the help of statistical analysis and factor analysis, the researcher has analyzed the impact of the criteria on the Provincial Competitiveness Index in Bac Giang province. On that basis, the researcher has also proposed some recommendations to further improve the PCI in the study area, thereby, enhancing the competitiveness of the locality.

Keywords: Provincial competitiveness, Bac Giang province, Vietnam, Enterprise, Factor analysis

INTRODUCTION

Provincial Competitiveness Index (PCI) is used to assess and classify the rank of local governments in Vietnam in terms of quality in economic management and developing the convenient business environment for private enterprises.

For businesses, PCI is the most important tool to show their voice and give requests to the authorities. For the state, this is a measure to show the gap that needs fulfilling in such parallel policies as design and implementation, centralization and decentralization, policy ideas and the demands of life, businesses and citizens - the most important object that every policy must serve; or improving the competitiveness of a province can not be separated from the

general development goals of the region and the whole country. In order to achieve this objective, the process of competition among provinces is not separated from their cooperation and association in order to promote the comparative advantages of each locality. With that meaning, enhancing provincial competitiveness also aims to exploit the strength of the inter-regional relations, linkages among branches and localities throughout the country.

This research was conducted in order to analyze the reality of the PCI in Bac Giang province. The researcher simultaneously selected the lowest indicators in the provincial competitiveness index of Bac Giang province based on the official sources of Vietnam Chamber of Commerce and Industry (VCCI). The selected index were used in the survey in order to receive comments from enterprises who were directly involved in the assessment of PCI. Thereby, the self-evaluations of enterprises on each index group were taken into considerations so that a reliable scale could be found. On the basis of that analysis, the researcher has given some suggestions to improve the provincial competitiveness index for Bac Giang province in particular and for similar localities in general.

RESEARCH OVERVIEW

Provincial competitiveness has received not only the attention of policymakers but also of the researchers, with many articles and workshops related to provincial competitiveness and, as a results, the provincial competitiveness index ranking has been announced.

Representatives of classic scholars such as Adam Smith and David Ricardo to modern scholars such as Michael Porter, Li Tan, w. chan Kim have studied issues related to competition and competitiveness at different levels.

In 2002, Bach Thuc Cuong (2002) summarized rather comprehensively the theories of competition and addressed in-depth the global competition in his research.

Regarding provincial competitiveness, one of the first studies was conducted by Vu Thanh Hung (2005) on the provincial competitiveness in Vietnam, with recommendations and solutions. The study outlined some of the issues related to provincial competitiveness in Vietnam, by ranking the provincial competitiveness index (PCI) and analyzing the current provincial competitiveness status of localities in the whole country. A number of recommendations were thereby given to improve provincial competitiveness in Vietnam. Also studying on provincial competitiveness, however, Phan Nhat Thanh (2011) focused on analyzing the PCI in Hai Duong province, Vietnam during the period 2006-2010, then, compare this index with some other localities in the country to get a more multi-dimensional perspective on the competitive reality of the province. Simultaneously, the study has confirmed the efforts but also pointed out the inadequacies of Hai Duong government in improving the business

environment, and clearly identified the focus of the government's reform in the coming years. The focus of recommendations is on low-ranking indicators such as the Transparency and access to information; Legal institution; Labor training; Dynamic and pioneering leadership of the local government, and indicators that tend to decrease, including access to land and land use stability; Cost to enter the market. The research method used in this study is descriptive statistics and interpretation of the results based on VCCI statistics and researcher's survey data from enterprises and local government representatives.

In conclusion, current research in Vietnam related to the issue of competitiveness is focusing much on analyzing the reality of common competitiveness in the whole country, or provincial competitiveness of localities through the published competitiveness index, and studying the factors that affect that competency, but there is not much research focusing on the internal reasons why local competitiveness varies. This study was conducted to investigate the intrinsic nature of the problem in which the business entities were directly involved in the assessment of the competitiveness index and the direct targets of the survey in order that the researcher could have a perspective from the enterprises' side on the assessment of each indicator in the analysis process.

RESEARCH METHODOLOGY

The study and scope

The study was conducted in Bac Giang province – a mountainous province located in the Northern mountainous region, a locality with many economic development advantages in the country; however, the competitiveness index of Bac Giang province is classified as relatively changeable and unstable. Some indicators are very low in comparison with the potential of the locality. Therefore, the researcher has chosen Bac Giang province as the study target.

The study focused on the analysis and assessment of enterprises on criteria in the lowest group of provincial competitiveness index of Bac Giang province according to VCCI statistics in 2015. These indexes include land access, land use stability, and time cost indicators for the implementation of State regulations.

Secondary data collection

The secondary data were collected from the reports of the General Statistics Office, VCCI, and the summary report of Department of Planning and Investment of Bac Giang province. Moreover, the data collected from documents published in print journals, publications, etc. were also used in the study.

Primary data collection

There are different methods used to identify the research sample. According to Nguyen Van Thang (2014), the minimum number of samples to perform statistical operation is 100 observations. Therefore, conducting a survey of 126 domestic enterprises operating in Bac Giang province meets the minimum number of observations required to perform statistical operations. The author used a convenient sampling method to select businesses and conduct the surveys.

Data collection instrument

The questionnaire was based on the survey forms of VCCI (2015) including the criteria used to assess provincial competitiveness. The content of the questionnaire was divided into two parts: Part 1: Enterprise's general information Part 2: Enterprise's evaluation on each criterion

The Likert-type scale was used to evaluate the enterprises in terms of increasing rating from very dissatisfied to very satisfied. After the survey, all data were verified and inputted in to excel software to perform the analysis.

Data analysis

Descriptive statistics and comparative methods were used to compare the volatility of provincial competitiveness index of Bac Giang province in comparison with other localities in the whole country.

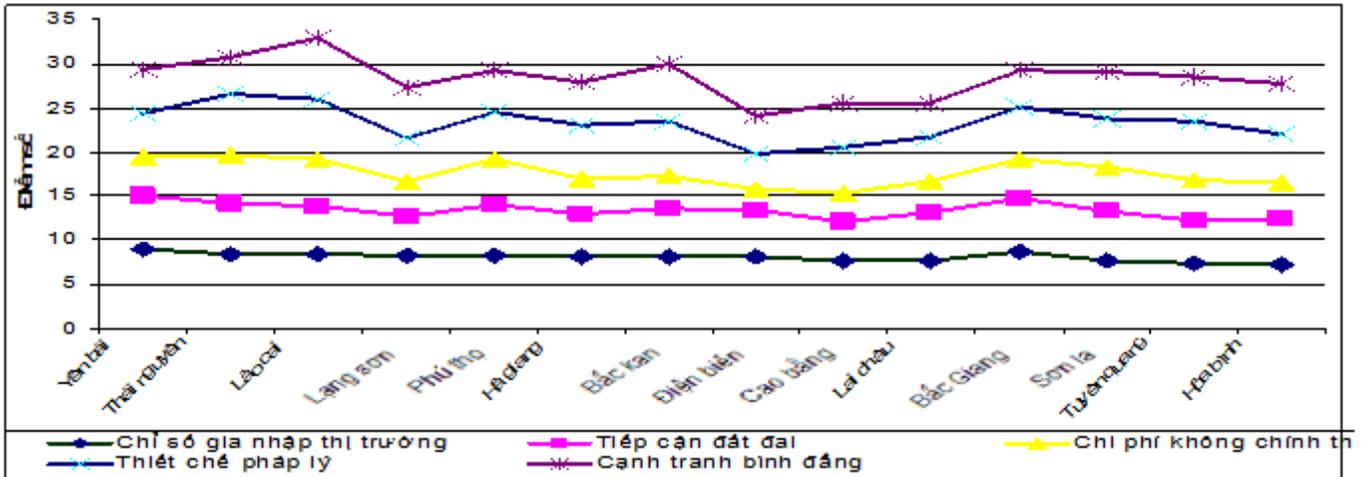
The method of factor analysis was used to analyze the enterprise's assessment on each indicator criterion, namely, the land access, land use stability index, and time cost indicators for the implementation of state regulations. Based on the analysis of these factors, the researcher identified which factors were the most significant and made a big difference to each indicator change. Recommendations, thereby, would be made to improve the provincial competitiveness index. SPSS 20.0 software was applied to support the data analysis process.

RESEARCH RESULTS

The reality of Bac Giang provincial competitiveness index

The research results show that the PCI of Bac Giang is relatively low in comparison with other provinces in the whole country. Namely, of the seven low indicators, five are classified as very low and ranked at 50th or lower in the chart, including Market access index, Land access index, Informal cost index, Legal institution index, and Fair competition index.

Figure 1. The lowest ranking indexes of Bac Giang in the region



(Source: Provincial Competitiveness Index Report in 2015)

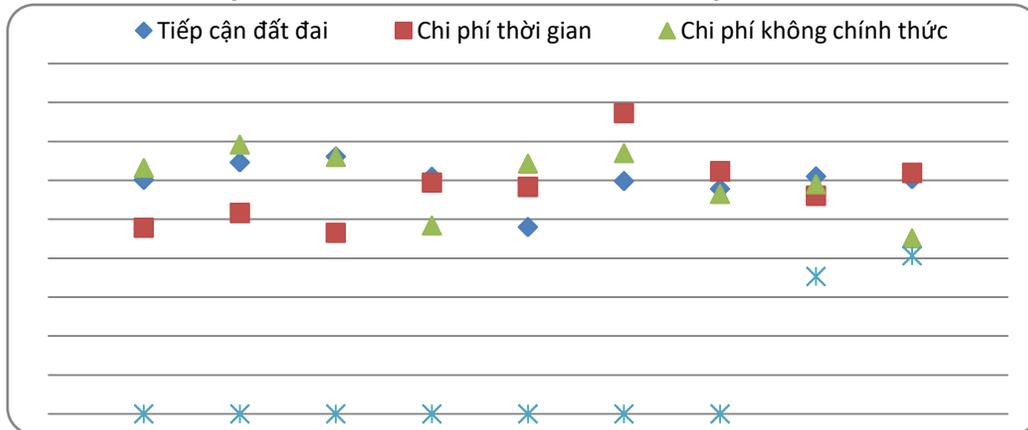
Among those, three lowest indicators are land use index, time cost index, and informal cost index.

Land use index is one of the upward indicators but not significant, in 2015 with 6.05 points, 0.02 points higher than in 2014 but 0.06 points lower than 2013.

Time cost index: thanks to some improvements, this indicator has a noticeable increase in 2015 at 6.98 points (ranked 22/63 provinces of Vietnam). Compared with 2011, this index decreased 0.74 points.

Informal cost index: in comparison with 2014, this indicator increased by 1.25, reaching 5.76 points in 2015; this score is still 0.14 lower than in 2013. All indicators are better evaluated, with only one index being underestimated, with more enterprises paying more than 10% of revenue for informal payments.

Figure 2. Group of low PCI of Bac Giang province



(Source: Summary report of PCI period 2006-2015)

Analysis of provincial competitiveness index of Bac Giang province from the perspective of enterprises

The researcher selected two groups with lowest scores to analyze under enterprise's perspective. The two groups are Land access and land use stability indicators, and Time cost indicators, as follows:

Land access and Land use stability indexes

Based on the survey data of the researcher, factor analysis was utilized to analyze the enterprise's assessment on those indexes. In order to carry out a factor analysis, first the researcher use KMO (Kaiser-Meyer-Olkin) to check the suitability of the study model:

Table 1. Results of the conformity assessment of the research model

| KMO and Bartlett's Test | | |
|--|--------------------|---------|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | | .508 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 110.308 |
| | df | 45 |
| | Sig. | .000 |

With the KMO = 0.508, the researcher model is feasible. The researcher then looked at the Eigenvalues coefficient, with Eigenvalues > 1, four groups of factors were extracted with the level of interpretation of two factor groups higher than 55%. Next, the rotation matrix of the factors was analyzed to determine the groups of factors with the results as follows.

Table 2. The rotation matrix of factors

| | Rotated Component Matrix | | | |
|------|--------------------------|------|------|-------|
| | Component | | | |
| | 1 | 2 | 3 | 4 |
| DD3 | | | .695 | |
| DD4 | | | | -.568 |
| DD6 | .332 | .704 | | |
| DD9 | | .770 | | |
| DD11 | .777 | | .338 | |
| DD12 | | | .724 | |
| DD13 | .863 | | | |
| DD14 | | .523 | | -.312 |
| DD15 | | | | .587 |
| DD17 | | | | .558 |

Based on the rotation matrix, the equation of the factors is drawn as follows:

$$F1 = 0,332DD6 + 0,777DD11 + 0,863DD13$$

$$F2 = 0,704DD6 + 0,77DD9 + 0,523DD14$$

$$F3 = 0,695DD3 + 0,338DD11 + 0,724DD12$$

$$F4 = 0,568DD4 + 0,312DD14 + 0,587DD15 + 0,558DD17$$

The first factor group (F1) consists of three components in which the most influential one is the inadequate land procedure (DD13) with an impact score of 0.863, and the smallest impact factor was the need for certificates of land use rights (DD6) with a score of 0.332.

The second factor group (F2) consists of three components in which the highest impact factor is the stability of the business (DD9) with the score of 0.77.

The third Factor Group (F3) consists of three components in which the highest factor is the land compensation (DD12). The question is if the People's Committee offers suitable compensation for the land acquisition. The impact score is 0.724.

The fourth factor (F4) consists of four components, in which the most influential factor is land planning factor (DD15) with the score of 0.587

The time cost index for the implementation of the State regulations

Similar to the land access and land use stability index, factor analysis method was also used to analyze the enterprise's assessment on the time cost index for the implementation of the State regulations. First, the researcher checked the suitability of data sets with the proposed model, the results are shown as follows.

Table 3. The results of testing the suitability of the research model

| KMO and Bartlett's Test | | |
|--|--------------------|---------|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | | .606 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 731.049 |
| | Df | 55 |
| | Sig. | .000 |

The research results show that with Kmo =0.606, the research model is feasible. Then, the researcher examined the Eigenvalues coefficient, with Eigenvalues > 1, four groups of factors were drawn with the level of interpretation higher than 71%. Next, the rotation matrix of the factors was analyzed to determine the groups of factors with the results (Table 4).

Table 4. The rotation matrix of factors

| | Rotated Component Matrix | | | |
|------|--------------------------|------|------|------|
| | Component | | | |
| | 1 | 2 | 3 | 4 |
| TG1 | | | | .762 |
| TG2 | | | | .782 |
| TG3 | | .565 | | |
| TG4 | | | .912 | |
| TG5 | | | .931 | |
| TG6 | | .937 | | |
| TG7 | | .948 | | |
| TG8 | .930 | | | |
| TG9 | .906 | | | |
| TG10 | .910 | | | |
| TG16 | | | | |

Based on the rotation matrix, the equation of the factors is drawn as follows:

$$F1 = 0,93TG8 + 0,906TG9 + 0,91TG10$$

$$F2 = 0,565TG3 + 0,937TG6 + 0,948TG7$$

$$F3 = 0,912TG4 + 0,931TG5$$

$$F4 = 0,762TG1 + 0,782TG2$$

The first factor group (F1) consists of three components in which the most influential one includes charges and fees that have not been widely publicized on the mass media (TG8) with the impact score of 0.93.

The second factor group (F2) consists of three components in which the most influential one is the unwillingness and unhelpfulness of leaders and officials (TG7) with the impact score of 0.948.

The third factor group (F3) consists of two components in which the most influential one is that the officials could not detect errors early and timely fix those (TG5) with the impact score of 0.931

RECOMMENDATIONS

In order to further improve the provincial competitiveness in Bac Giang province or to promote the provincial competitiveness index in general, and to enhance the two lowest indices, land access and time cost index, the researcher has proposed some recommendations as follows:

The indicators of land access and land use stability have strong influence of such criteria as land procedure in the city (district) is not correct, the stability of the business, the land

recovered without enough compensation, etc. Therefore, it is necessary to ensure the stability in the business, offer sufficient compensation for land loss people, and ensure that the land procedures in the localities are accurate and transparent.

For the indicators of time cost for the implementation of the State regulations, factors that have strong influence on this group include charges and fees that have not been widely publicized on the mass media, the unwillingness of the officials, and not timely detecting errors and fix those, etc. In order to solve this problem, there should be disclosure of fees and charges in the mass media for enterprises to fulfill obligations, and ensure that state management staff at all levels have the best support for enterprises, not causing troubles for them.

In addition, it is necessary to promote the dynamism and proactive leadership of the state management staff at all levels, thereby creating trust for enterprises in the government and legality of the local.

Developing human resources to meet the needs of enterprises is one of the factors that will require the attention of local authorities, thus creating competitive advantages for the local as well as contributing to supporting enterprises.

The current research conducted an investigation into the domestic enterprises in Bac Giang province; therefore, survey sample sizes and angles of enterprises could not make generalizations of the current situation of the whole territory of Vietnam. In further research, the author will conduct data surveys in the region or the entire territory of Vietnam

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