

## **PROVINCIAL COMPETITIVENESS INDEX FROM THE PERSPECTIVE OF THE BUSINESS: THE SITUATION AND SOLUTIONS**

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### **Abstract**

*This paper is written to analyze the situation of some provincial competitiveness indicators in Bac Giang province- Vietnam (some indicators are in the group which have low grade compared with other provinces in the country), identify the trend of the fluctuations of these indicators, determine the achieved aspects, the drawbacks in each index. And author calculated the results of the enterprise survey on the enterprise's assessment of the scales in each indicator, which scale was underestimated, which scale was highly appreciated. From that, author has a multi-dimensional perspective from the country's statistical results and bases on the results, author made recommendations to improve some of the index were low compared to other provinces in Vietnam.*

*Keyword: Competitiveness, Competitiveness index, Enterprises, Entrepreneurship, Vietnam*

### **INTRODUCTION**

The Provincial Competitiveness Index (PCI) is a indicator which measure and rank to the provincial and municipal governments in building a business environment conducive to entrepreneurship, an increase in the value of the index and increasing the rankings means that the policies of the regulators have contributed The positive impact on the private sector and the economy of the local survey.

The Provincial Competitiveness Index has a close relationship with a province's investment climate improvement policy, if consider the provincial competitiveness as a measure of provincial health and economic reform, province's investment climate improvement policy will to be like a way to shape and protect that health.

In the period from 2006 to 2016, the provincial competitiveness index of Bac Giang province has changed positively, however, the results have not matched the conditions, potentials and strengths of the province, Some indicators are low compared to other provinces in the country. The cause of the situation may be due to the lack of close coordination between state management agencies and civil servant performance; Support and reception of information processing as well as assistance to enterprises and businessmen in this region to remove difficulties; speed up the administrative procedures for business development is limited.

This study was conducted to analyze the provincial competitiveness index in Bac Giang province, evaluate the enterprise's assessments through the provincial competitiveness index from that Identify the aspects to be achieved and the constraints in the competency indicators Provincial pictures. Base on that, the author proposed some solutions to improve the provincial competitiveness index in the study region.

## 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.

### **Scope of research**

The study was conducted in Bac Giang province, Vietnam. The study focused on three groups of criteria in the group of provincial competitiveness indicator of low and reduced points in Bac Giang province according to VCCI statistics in 2016 that is three indicators low (market entry index, Access to land, Equal competition).

## **RESEARCH METHODOLOGY**

### **Study site**

Bac Giang is a mountainous province located in 14 mountainous provinces of the North, which has many advantages for diversified economic development such as trade, services, agriculture and the focus is on industrial development. By the end of 2016, Bac Giang province, which has competitiveness indicator in the unstable group, there have low indicators that have not exploited the advantages of resources in the province.

### **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 256 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

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 approach**

The comparative method was used to compare the variation in the provincial competitiveness index of Bac Giang province and correlated with other localities in the region and in the country. The statistical method is used to analyze and calculate the enterprise's assessment of enterprise competitiveness index, mean and standard deviation calculated by the author for analysis in this article. The SPSS 20.0 software was applied to support the data analysis process.

## **RESULTS**

### **Situation of provincial competitiveness index in Bac Giang province**

#### *Cost to enter the market*

The cost to entry the market is one of the low-end indexes in the PCI indexes of Bac Giang province, although there have been positive changes. However, the entry cost index Still relatively high compared to the whole country. Specifically, in 2016, the index was 8.51 points (ranked 35/63 provinces) that has improved relative to 2015, the market penetration rate reached 8.00 points ranked 54/63 provinces of the country and the score was still below the national median of 0.03.

Table 1: Provincial competitiveness index in Bac Giang Period 2006-2016

INDEX	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Group of peak indexes</b>											
Business support	6.66	4.54	6.91	5.62	6.3	3.25	4.36	5.57	5.72	4.71	5,28
Ranking	28	26	47	17	17	41	16	20	27	27	42
Labor training	6.41	6.59	3.79	4.29	5.36	4.92	4.69	5.11	5.92	5.69	6.44
Ranking	13	10	43	49	29	26	41	45	3	26	19
Time cost	4.78	5.16	4.65	5.94	5.83	7.72	6.23	5.6	6.19	6.98	7.11
Ranking	24	54	48	46	41	11	21	48	44	22	12
<b>Group of low point indexes</b>											
Market entry	8.18	7.49	6.31	8.37	6.44	8.53	8.95	6.21	8.72	8	8.51
Ranking	12	44	63	29	40	36	27	61	14	54	35
Land access	6.01	6.46	6.61	6.09	4.8	5.98	5.78	6.1	6.03	6.05	5.63
Ranking	32	29	35	42	53	48	54	52	23	27	39
Transparency	5.81	5.15	6.35	6.99	6.11	6.19	5.91	5.89	5.87	5.83	6.04
Ranking	15	53	31	6	20	18	28	18	40	48	46
Legislation	4	4.24	2.76	4.39	4.85	4.18	4.02	5.1	5.91	5.65	4.76
Ranking	17	34	61	58	36	59	18	46	2	36	55
Equal competition		N/A	N/A	N/A	N/A	N/A	N/A	3.53	4.06	4.64	4.35
Ranking								53	48	61	54
<b>Group of reduced point indexes</b>											
Unofficial expense	6.32	6.92	6.6	4.84	6.43	6.7	5.65	5.9	4.51	5.76	5.1
Ranking	33	15	36	60	26	36	53	45	48	16	40
Dynamic features	4.89	5.19	4.89	4.77	5.5	4.84	4.84	4.96	4.74	4.7	4.67
Ranking	32	27	42	33	24	28	33	44	27	38	40
<b>PCI</b>	<b>56</b>	<b>55.48</b>	<b>47.44</b>	<b>57.5</b>	<b>58</b>	<b>60.8</b>	<b>57.1</b>	<b>54.79</b>	<b>57.3</b>	<b>57.61</b>	<b>58.22</b>
	<b>Good</b>	<b>Quite good</b>	<b>Low</b>	<b>Quite good</b>	<b>Quite good</b>	<b>Good</b>	<b>Quite good</b>	<b>Low</b>	<b>Quite good</b>	<b>Quite good</b>	<b>Quite good</b>

(Sources: Data were summarised by author base on VCCI report from 2006 to 2016)

The market entry cost index of enterprises was not good and in the low ranking group, that may be due to many different causes. One of the reasons pointed out by the survey results was: Time Waiting to be granted a Certificate of Land Use Rights is too long, In 2016, the time to obtain a land use right certificate has been reduced to 15 days, but it is still over seven days than the whole country.

*Land Access index*

Land access index is one of the rising but trivially increase in the period from 2012 to 2016. By 2015, the land access index was reached 6.05 points, up 0.02 points from 2014 but down 0.06 points from 2013, the index was fall to 5.63 points by 2016 and lower 5.81 points compared with the whole country. According to the author's survey results, land access index was low is due to the fact that only 19% of surveyed enterprises agreed that non-state owned enterprises did not encounter obstacles in accessing land or expanding their surface and only 29% of businesses surveyed agreed that enterprises carry out administrative procedures About the land in the last 2 years but without any difficulties in procedures, difficulties remained in the content of clearance to get a business premises.

*Equal competition index*

This is a new indicator in the PCI index in 2013, which measures the favor for corporations, state corporations, big companies, enterprises closely linked with provincial governments and FDI enterprises in accessing land, accessing credits and issuing mineral mining licenses Production, administrative procedures, access to contracts from state agencies, exemption from corporate income tax. Bac Giang's Equal Competitiveness Index in 2016 was lower than that of 2015 and lower than the national average of 4.35 points and ranked 54/63 (lower than the national average of 0.71, lower 3.77 point than the top province and only higher 0.51 points than the province which have lowest point). Many surveyed enterprises supposed that state-owned economic groups were favored and more advantageous in accessing land, accessing credits, and facilitating the granting of mineral mining licenses, administrative procedures were quicker and easier to obtain contracts from the agency Management of the State. FDI enterprises were given priority over difficult issues rather than domestic ones

***An assessment of enterprises on some provincial competitiveness index of Bac Giang province****Market entry index*

Table 2 showed that in the 24 indicators of market entry indices, domestic firms have different assessments of the criteria in the market entry index with average scores ranging from 2.32 to 3.39 points on a 5 point scale. The assessment results of enterprises showed that they assessed relatively high with the group of indicators belonging to the tax declaration at all levels, some indicators of enterprises are still relatively difficult to assess administrative procedures, difficulties related to administrative procedures at the Government level and related executives at state management agencies.

Table 2: The assessment of enterprises about market entry index

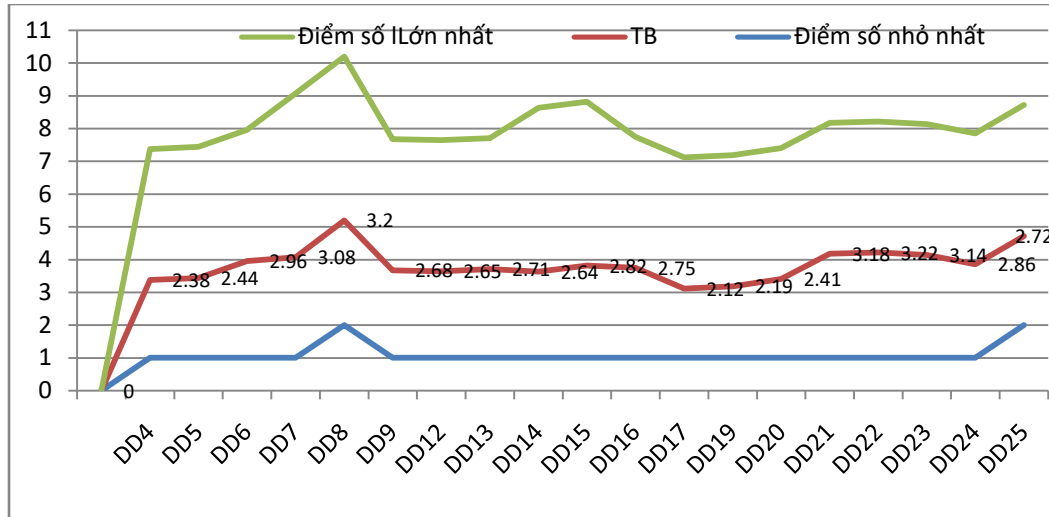
		Lowest point	Highest point	Mean	Std. deviation
TT1	A lot of registration and permission papers	1	5	<b>3.24</b>	0.96
TT2	Difficulties to get multiple kind of ward's paper	1	5	<b>3.16</b>	1.007
TT3	Difficulties to get multiple kind of city's paper (district)	1	5	<b>3.13</b>	0.871
TT4	Difficulties to get multiple kind of province's paper	1	5	<b>3.35</b>	0.793
TT5	Officers of village procedures (commune, ward) are unclearly and completely in guiding and explaining	1	5	<b>3.32</b>	0.719
TT6	Officers in one-stop shop department (commune, ward) are unclearly and completely in guiding and explaining	1	5	<b>3.35</b>	0.747
TT8	The waiting time for granting land use right certificates at city (district) was long	1	5	<b>3.19</b>	0.856
TT9	The waiting time for granting land use right certificates at province was long	1	5	<b>3.25</b>	0.791
TT10	The waiting time for granting land use right certificates at department of environmental resource was long	1	5	2.98	1.023
TT11	Waiting time for business got surface premises by The provincial people's committee decided to allocate land, to lease land, to change the land use purpose	1	5	<b>3.25</b>	0.857
TT12	Waiting time for business got surface premises by The city (district) people's committee decided to allocate land, to lease land, to change the land use purpose	2	5	<b>3.27</b>	0.793
TT13	Difficulties in founding capital resources	1	5	<b>3.36</b>	0.769
TT14	Difficulties in founding customers at province	2	5	<b>3.04</b>	0.801
TT15	Difficulties in founding business surface at city (district)	1	4	2.64	0.705
TT16	Difficulties in founding business surface at province	1	5	2.89	0.751
TT18	Difficulties in founding proper labour	2	5	<b>3.43</b>	0.733
TT19	Difficulties in founding the support from ward	1	4	2.52	0.751
TT20	Difficulties in founding the support from city (distinct) government	1	4	<b>3.04</b>	0.737
TT21	Difficulties in founding the support from provinces	1	5	<b>3.35</b>	0.778
TT22	The procedures for tax declaration and payment have not been reduced	1	5	2.71	0.703
TT23	Tax procedures have not yet been applied for online declarations	1	4	2.32	0.761
TT24	When the business was in trouble, the investment promotion agency played an active role	1	5	<b>3.39</b>	0.727

(Sources: Calculated result of authors base on software SPSS 20.0)

*Land accessing index*

The results of the assessment of domestic enterprises on the causes of low and reduced points for Accessing to land and stability in land use are shown below.

Figure 1: Assessment of enterprises on land accessing index



(Sources: Calculated result of authors base on software SPSS 20.0)

The calculated results showed that the assessment of domestic enterprises with criteria of access to land and land use criteria were relatively low, only 3/25 scale indicators were evaluated over 3 points, these were: criteria Procedures for granting land use right certificates at the Department of Natural Resources and Environment has been improved more quickly (DD7-3.08 points); Staff in the department in terms of professionalism, ethics also had many changes in the direction of better (DD8-3.20 points); (DD21-3.18); The overlapping legal system and law of land did not match the reality in the district (city) has been greatly improved (DD22- 3.22 points); The overlapping legal system and law of land did not match the provincial practice (DD23-3.14) was "satisfied".

*Equal competition index*

The results of the enterprises' assessment showed that only 2 out of 11 indicators reached the score from 3 to above on the 5 point scale: Loan procedures (3.13 points) and can not borrow without collateral (3.10 points). These indicators under the government's interventions so loan procedures were simpler and borrowing policies were also softened. Thus, it could be seen in the equality competition whether the enterprise belongs to any group but ensuring the above criteria can equally be borrowed at banks.



Table 3: Assessment of enterprise about equal competition index

	N	Lowest point	Highest point	Mean	Std. deviation
CT3: Provincial government prefer big enterprises than small and medium enterprises	256	1	5	2.71	.731
CT4- SOEs are more easier to obtain economic contracts than SMEs	256	1	4	2.58	.704
CT5- SOEs are more favorable in accessing land than private enterprises	256	1	4	2.66	.599
CT6: The share of SOEs in the province is larger than that of private enterprises	256	1	6	2.7	.686
CT7: SOEs are more favourable to bank loans than private enterprises	256	1	6	2.79	.630
CT9: Companies can not borrow money without mortgage	256	1	5	3.10	.640
CT10: Loan procedures	256	2	4	3.13	.446
CT11: Expenses for bank officers	256	1	6	2.73	1.509
CT12 The company has no preferential policies to get loans	256	1	6	2.99	.607

## RECOMMENDATIONS TO IMPROVE PROVINCIAL COMPETITIVENESS INDEX IN BAC GIANG PROVINCE, VIETNAM

Based on the advantages of Bac Giang province in terms of geographical location, socio-cultural and supporting industries for industrial development. Besides that, there are other disadvantages of Bac Giang such as education and training, planning of the province. The author proposed some solutions to improve the provincial competitiveness index Low points in Bac Giang province, specifically as follows:

### Market entry index

Promoting the reform of tax administrative procedures by training, detailed guidance on tax declaration and payment through the network, creating the best conditions to reduce entry costs and time of implementation of the regulations of the state for businesses.

Formulating and implementing the "one-stop shop" mechanism on investment in order to uniformly settle procedures from investment preparation, land lease, environmental protection to fire prevention and fighting appraisal and design appraisal. Establishing and issuing construction permits for investment projects outside industrial parks, this will help investors had not to contact with many agencies, improve the coordination between departments, branches, localities. Publicizing the procedural order and template all documents and supply them free of

charge only to enterprises and investors who have just completed the necessary modification of dossiers once and in accordance with regulations.

Consolidating the OSS at various levels and in some sectors, publicizing the telephone number of the person responsible for handling administrative procedures so that people and enterprises can know and contact the work and supervise the practice. The agencies and units must select officials with professional skills, capable of explaining, guidance to enterprises and investors. Carrying out rotation of officials according to regulations, resolutely rotating, replacing bureaucrats who cause harassment, making it difficult for investors.

### **Land access index**

Specifying and simplifying of land policies in line with the actual situation of the locality, creating the believe for investors on the policy of access and stable use of land.

Reviewing and revising provincial regulations on land allocation and land lease for production and business in the way to reducing procedural time and clearly assigning responsibilities. In 2017, it is necessary to review, publicize the website of the provincial People's Committee, websites of districts, cities and departments... the land use planning at different levels in the province and Unused public land funds, non-agricultural land used for production and business, Procedures related to land for investors or enterprises can approach, learn.

Strengthening the responsibilities of all levels, branches, especially district and city governments, and communes, wards and townships in assisting investors in land compensation and land lease.

Implementing a stable land price policy, competition and transparency; Publicizing the land positions convenient for auction of land assignment or land lease according to regulations. At the same time, regularly review the using land of the projects which have been approved investment; resolutely recovering land where the implementation was not targeted, not deployed or deployed prolonged progress without a good reason.

### **Equal competition index**

This is a new indicator, but Bac Giang province also needs to pay attention to raising the specific competitiveness index as:

In the development plan of the province should have appropriate policies should not favor State-owned enterprises than private enterprises. Foreign invested enterprises should prioritize the settlement of disputes over domestic firms, which causing disagreement in the way of building and developing enterprises.

Supporting enterprises in investment in production expansion and trademark registration to create competitive and high quality products, building the trade promotion programs, market development and organization for enterprises have many opportunities to promote, trade products at provincial fairs, Outside the province and region; Domestic enterprises, foreign enterprises.

Consolidating centers that provide business support services; Organizing the conferences, seminars to connect companies, service units supporting enterprises with associations, associations and business community. Intensifying the inspection and handling of illegal business activities, combat smuggling and trade frauds, market manipulation and unfair competition together with creating favorable conditions for organizations and individuals in production and business.

The Task Force for reviewing PCI indicators in 2013 (established under the Decision No. 402 / QD-UBND dated 10 April 2014 by the Chairman of the Provincial People's Committee) reviews all indicators of the Indicators to From there, seriously point out the specific weaknesses, weaknesses and causes that still exist in The economic management and management of each branch or unit; At the same time, propose with the provincial People's Committee take plan to upgrade the PCI index in 2014 and the following years, with specific tasks and solutions and assign responsibility for each sector and locality..

The leaders of the province and districts and cities should continue to maintain dialogue with enterprises to solve the difficulties and obstacles of enterprises in the process of production and business. Provincial business associations should have more coherent co-ordination to update the legitimate reflection of the business and proposed mechanisms and policies to remove difficulties for enterprises to carry out production and business projects, with the common goal is to build a transparent business environment, focus on strongly improving the environment Private in the province.

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