

Factors affecting Business Environment of Hai Phong City

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Abstract: *Improving the business environment is one of the key strategies to promote local and regional economic development. However, which factors affect the business environment of the provinces is still controversial. Using survey data from 400 investors and managers and a multivariate regression analysis method, this study has identified the factors affecting the business environment of Hai Phong province. The analysis results show that there are 09 factors affecting the business environment of Hai Phong City, including entry costs, land access and tenure, transparent, informal charges, time cost, pro-activeness, business support services, labor training and legal institutions. In which pro-activeness is the most influential factor. Further, the study has suggested some policies to improve the competitiveness of Hai Phong City.*

Keywords - *Competitiveness, Business Environment, Hai Phong city, Economic Development*

I. INTRODUCTION

In recent decades, thriving competitiveness has been a key factor in the economic growth of numerous cities worldwide. Kotler et al. (2002), Luo & Zhao (2003), Wells & Alvin (2000) have deemed this strategy an essential tool for the expansion of city competitiveness on a global scale. In an effort to develop a model of urban planning based only on marketing principles, they have been generalizing and conceptualizing this phenomenon. Increasing a provincial's competitiveness involves figuring out and satisfying the expectations of investors, who are crucial to economic progress.

There is a two-way relationship between the business environment and business performance. On the one hand, a good business environment will create favorable conditions for businesses; if businesses know how to take advantage of these advantages, they will operate effectively. On the contrary, if the business environment has many restrictive constraints, it will inhibit the development of the business. It will be challenging if businesses have not yet adapted to the environment.

On the other hand, businesses also impact the business environment that can create positive responses to the environment, such as creating capital contributions and developing infrastructure. However, businesses can also damage the business environment due to pollution, causing unemployment, social evils, and corruption.

Thus, the business environment greatly affects business activities both positively and negatively. Before the business environment impacts, businesses need to strengthen the management of production processes, products and services to minimize negative impacts.

In order to attract investment effectively, localities need to have solutions to propagate, advertise and invite interested investors to the locality. To do this well, building a local marketing strategy is essential. This is also one of the crucial issues that need to be prioritized to be addressed.

Hai Phong is one of the important central cities of the country. Compared to other cities, Hai Phong has a significant advantage with the largest seaport, large consumption market, large industrial park, many preferential government policies, and good transport infrastructure connecting to all northern provinces of Vietnam, especially the capital Hanoi. With such advantages, Hai Phong strives to become a leading locality in attracting investment. However, investment projects in Hai Phong are of scale and quality that is not commensurate with the city's potential vision and have not met the expectations of the people and the

government. Therefore, analyzing and assessing factors affecting the business environment is of urgent significance and necessary research for Hai Phong City toward strong and sustainable development.

II. LITERATURE REVIEW

Using information from the China Household Finance Survey and the China Urban Business Environment Index, Yu, Tang, and Huang (2023) analyze how the state of the economy influences startup activity in China. To account for any endogeneity, the identification uses the instrumental variables method. Increasing employment opportunities, optimizing the structure of employment, and encouraging entrepreneurship are all outcomes of bettering the business environment, as shown by empirical research. Improvements in public services, the market environment, and the legal environment each play a separate but complementary role in fostering entrepreneurship. Further discussions also emphasize that there are four ways in which an improved business environment encourages individual entrepreneurs: (1) by providing more opportunities for new ventures, (2) by lowering operating costs, (3) by lowering financing costs, and (4) by strengthening the enforcement of contracts.

Thanh Hoa province in Vietnam is trying to attract foreign direct investment, and Le (2015) looks for the primary characteristics that aid with this. Forty-one questionnaires were submitted to international firms spread across many regions for this study. The results of the survey indicate that while some factors, such as the availability of resources, the quality of infrastructure, and access to capital, are seen as extremely important, such as social and cultural norms, are seen as relatively less so in the current setting of Vietnam's Thanh Hoa province.

E-mobility is causing significant shifts in the transportation industry, as Kim, Song, and Shin (2023) describe. Using intelligent technology may help mitigate environmental change and meet the unique needs of a wide range of users. Since e-mobility is still in its infancy as an economic sector, technical advancement and the continued success of existing businesses within it are essential. The e-mobility business, in contrast to the automotive sector, is characterized by its composition of small and medium-sized enterprises (SMEs) and its low-tech nature. However, there is a dearth of studies examining the aspects that determine the success of e-mobility businesses. This research aimed to determine what factors affect the success of e-mobility businesses. The research focused on the e-mobility sector in Korea, where recent advances in information and communication technology (ICT) and transportation technology have paved the way for rapid development in this area. The research concluded that e-mobility firms might grow and make more money if they invest more in research and development (R&D) for technical advancement. It also showed that permanent policy support at the national level is not as important for performance as developing synergies at the regional level through cluster strategy.

III. METHODOLOGY

The primary research strategy utilized in this study was descriptive. Data on the entry costs, land access and tenure, transparent, informal charges, time cost, pro-activeness, business support services, labor training and legal institutions that affect the business environment in Hai Phong City were collected, processed, and analyzed using the appropriate method. In addition, this study employed a correlation strategy, namely regression statistics, to investigate the elements that shape Hai Phong City's commercial environment. There were 16,012 businesses in Hai Phong in 2019, as reported by the most recent edition of the Hai Phong Statistical Yearbook. According to the Slovin formula for determining sample size, 400 participants were used in the study. The interview was performed via the most suitable method (in-person, over the phone, or via email) in each individual instance. Only 15% of interviews are over the phone, while 85% are in person. The questions used a five-point Likert scale, with five being the highest score and one the lowest. The following values were assigned: The scale was used to evaluate the independent variables: 5- Excellent, 4- Good, 3- Fair, 2- Poor and 1- Weak. For the dependent variables, the scales are 5- Very competitive; 4- Moderately competitive; 3- Neutral; 2- Less competitive, and 1- Uncompetitive. Factors influencing Hai Phong City's business environment were identified using multivariate regression analysis.

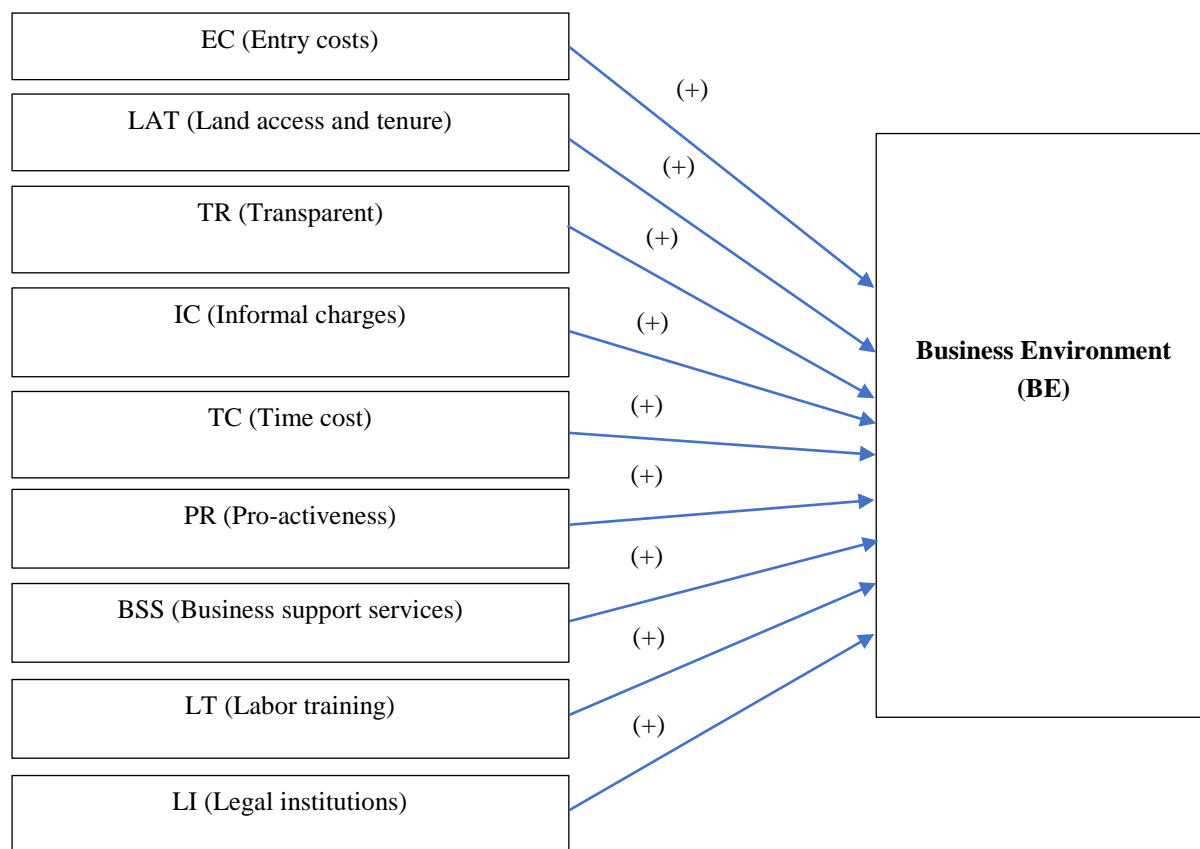


Diagram 1: Research model

IV. FINDINGS AND DICUSSION

Using regression analysis, nine independent variables, including entry costs, land access and tenure, transparent, informal charges, time cost, pro-activeness, business support services, labor training and legal institutions, were statistically tested for business environment capacity.

Table 1. Model summary

Coefficient of correlation	Coefficient of determination	Standard error of estimate
0.849	0.721	0.616

(Sources: Author’s calculation)

OLS regression was utilized to do a statistical analysis based on the values of the individual factors. The competitive capability was shown to be connected with all the independent variables at the 5% significance level (coefficient of determination 0.721). This means that all independent variables could account for 72.1% of the variation in Hai Phong City's competitive capability.

Table 2. ANOVA of regression

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	12.753	9	1.417	3.740	0.014
Residual	148.189	391	0.379		

Total	160.942	400			
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(Sources: Author's calculation)

The sig level is $0.014 < 0.05$, meaning the model was statistically significant and acceptable.

Table 3. Results of estimation

Variables	Coefficients		Sig.	Collinearity Statistics	
	Beta	Std. Error		Tolerance	VIF
(Constant)	0.322	1.306	0.808		
EC (Entry costs)	0.323	0.305	0.036	0.616	1.623
LAT (Land access and tenure)	0.289	0.219	0.027	0.656	1.524
TR (Transparent)	0.199	0.216	0.037	0.394	2.537
IC (Informal charges)	0.306	0.310	0.033	0.703	1.423
TC (Time cost)	0.307	0.282	0.029	0.298	3.357
PR (Pro-activeness)	0.425	0.212	0.032	0.471	2.122
BSS (Business support services)	0.245	0.199	0.023	0.639	1.564
LT (Labor training)	0.224	0.187	0.045	0.412	2.015
LI (Legal institutions)	0.312	0.225	0.012	0.602	1.578

(Sources: Author's calculation)

According to the regression results, the processed data reveal that the VIF of each variable was less than 10, indicating that multicollinearity phenomena do not impact the findings of the model's interpretation. The formula for a linear regression equation is as follows:

$$BE_{\text{Hai Phong}} = 0.425*PR_i + 0.323*EC_i + 0.312*LI_i + 0.307*TC_i + 0.306*IC_i + 0.289*LAT_i + 0.245*BSS_i + 0.224*LT_i + 0.199*TR_i + e$$

The Sig values for the independent variables (PR, EC, LI, TC, IC, LAT, BSS, LT, TR) are all less than 0.05, indicating they are significant at the 95% level in the regression analysis. The coefficients are 0.425, 0.323, 0.312, 0.307, 0.306, 0.289, 0.245, 0.224, and 0.199, suggesting that the independent variable does impact the dependent variable at the 95% confidence level. All variables determining Hai Phong City's business environment are favorable (PR, EC, LI, TC, IC, LAT, BSS, LT, TR). The statistical test showed that the most crucial factor affecting the business environment of Hai Phong City was PR (Beta = 0.425). This was followed by EC factor (Beta = 0.323), LI factor (Beta = 0.312), TC factor (Beta = 0.307), IC factor (Beta = 0.306), LAT factor (Beta = 0.289), BSS factor (Beta = 0.245), LT factor (Beta = 0.224) and finally TR factor (Beta = 0.199).

V. CONCLUSION

There are a lot of opportunities for economic growth in Hai Phong's social and economic spheres. However, this area has not yet become well-known among investors. In terms of total employees and capital size, most of Hai Phong's businesses fall squarely in the "small" and "medium" categories. Companies providing instruction and other services also comprise a sizable portion of the economy. The dissertation interviewed its respondents, who were 400 investors and CEOs from various businesses. Most respondents had been in their current position for fewer than five years; they were employed in the business, training, and service sectors, and their companies were classified as medium in size. Entry fees, land access and tenure, transparency, informal charges, time cost, proactivity, business support services, labor training, and legal institutions are nice vital factors affecting the business environment capacity of Hai Phong. Specifically, Pro-activeness is the most consequential to the business environment in Hai Phong City, while Transparent is the least influential factor.

The study has recommended certain legislative recommendations based on research findings to improve the city's business environment in the eyes of investors, making it more appealing to potential investors.

Specifically, Hai Phong needs to assist better firms, especially SMEs, bolster trade promotion efforts, link supply and demand, collaborate, broaden distribution channels, and encourage companies to join the digital economy. To prepare for the demands of the Fourth Industrial Revolution, Hai Phong must improve its training of specialized researchers on a regional and international scale; create mechanisms and policies tailored to the city's specifics for attracting, utilizing, and developing high-quality human resources; and establish links between research institutions, universities, and businesses to implement research results in production and business expeditiously. Inspire businesses to put money into R&D, tech transfer, and integrating discoveries into their manufacturing processes.

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