International Journal of Sustainable Development and Planning
Vol. 17, No. 3, June, 2022, pp. 965-969
Journal homepage: http://iieta.org/journals/ijsdp

Attracting Investment Capital to Help Develop the Economy of Countries in General and Attractive Localities in Particular

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https://doi.org/10.18280/ijsdp.170327

Received: 9 March 2022
Accepted: 22 Apirl 2022

Keywords:
local properties, attracting investment capital, distribution of resources, Vietnam

ABSTRACT

Attracting investment capital to help develop the economy of countries in general and attractive localities in particular. This study was carried out to evaluate the impact of the distribution of local attributes on attracting investment capital in the Thai Nguyen province of Vietnam. The research method is conducted through quantitative analysis with 150 enterprises surveyed in the locality. With multivariable analysis technique (reliability test, PLS-SEM model analysis) on Smart-PLS version 3 software. Research results from 150 business enterprises in Thai Nguyen (a province of Vietnam). Vietnam) shows that all four groups of local attributes influence investment decisions in the area as well as investor satisfaction: (1) investment incentives; (2) government support; (3) skill training; and (4) living environment. From the results of this study, the authors make some recommendations to help Thai Nguyen province better attract investment capital based on appropriate local resource allocation.

1. INTRODUCTION

Attracting external investment capital will help localities develop their local economy based on external private enterprises. For example, private investments outside the locality will help solve jobs and transportation systems problems; urban infrastructure systems will be improved. Therefore, localities compete with each other to attract investment capital from private enterprises outside the locality [1].

To attract investment today cannot rely solely on theories of comparative advantage (such as cheap labor) as they are no longer relevant in today's world [2]. Instead, today, investors' attraction to investment capital must be based on local attributes that satisfy businesses [3]. They can retain long-term investment businesses, expand the investment scale, and call their partners to invest in the locality by satisfying investors.

Local marketing is seen as an engine of economic development [3]. However, in many developing countries, local marketing is not emphasized but mainly focused on production, finance, and investment [4]. On the other hand, various studies show that developed Asian countries rely mainly on applying theories of local marketing [5].

Although it is essential to build local properties to attract investors to the locality for economic development, studies on the influence of local attributes on attracting investment or creating investor satisfaction in Vietnam are still relatively modest. According to the author's survey, the studies mainly focused on regional marketing assessment through traditional marketing tools (4Ps) in the Northern region. Still, they lacked estimates of the influence level between attributes local marketof ing to investor satisfaction. There are many studies to evaluate the factors affecting the attraction of FDI. Research shows the positive influence of economic growth, export value on FDI attraction [6]. The trend of economic development will attract foreign enterprises more when they consider it as a potential for the long term [7]. The investment in capital construction of the province or the country is also a factor promoting FDI attraction.

Thai Nguyen is the province with the largest total private investment as well as the largest private enterprise in the country with large investment sources such as Samsung, Canon, etc. To continue to attract private investment capital, the province needs to continue to improve the determinants of investment decisions as well as the satisfaction of private enterprises investing in the region. Therefore, this study is designed with two main purposes: (1) Identify and evaluate the essential local attributes affecting the satisfaction of private investors (Including domestic enterprises in other provinces investing in Thai Nguyen and foreign enterprises investing in Thai Nguyen province); (2) Assess the degree of influence of each local attribute on the satisfaction of private investors. The study was conducted for enterprises doing business in Thai Nguyen.

2. LITERATURE REVIEW

2.1 Theoretical overview of local characteristic distribution

Local attributes are also known as local attractive features. The unique local attractiveness is all that the locality can create to attract investors with distinctive characteristics compared to

other localities.

Locality plays an important role for business investors, and business success depends greatly on the choice of business location. Therefore, local marketing activities must meet customers' requirements and local business investors [8]. Furthermore, to compete with other localities, local marketers must make their locality have attributes that satisfy current and future business investment customers.

How distribute local attributes will help localities focus their resources centrally. The attributes that are considered the most important will be prioritized for improvement first. Local attributes that are less important will be prioritized for improvement later.

2.2 Distributing local properties and attracting investment capital

The government's support is transported support, administrative services, legal document guidelines, a transparent and fair tax system, investment licensing procedures, and an infrastructure for product activities. Therefore, good support from the government agency will help investors be more satisfied with the province's business environment. Moreover, the annual publication of the PCI (Provincial Competitiveness Index) index also includes many factors about government support, such as administrative support services and transparency that affect the assessment of businesses [9]. Therefore, this study hypothesized:

H1: Government support has a positive impact on investment attraction

Skills training includes meeting enterprise resource requirements from training institutions, skilled workers suitable to business requirements, local management workers, etc. A locality with no comparative advantage can also attract investors if it has a high-quality workforce. A high-quality workforce reflects human capital and the ability to generate high productivity from turmoil [10]. The annual PCI report also shows that labor training is an essential factor in evaluating the investment opportunities of enterprises [9]. Therefore, this study hypothesizes as follows:

H2: Skills training has a positive effect on investment attraction

The living environment is considered to be the environment serving the production and business activities of the enterprise and the environment that attracts workers, ensuring the conditions as expected by both enterprises and employees, such as Health system good, a pollution-free environment, a friendly population, many entertainment spots, shopping, low cost of living, etc. These aspects can affect the investment choice of enterprises. Therefore, this study hypothesized the following:

H3: The living environment has a positive impact on investment attraction

Investment incentives are local incentives for attracting businesses to invest in local production, including fair preferential policies between companies; preferential policies are communicated transparently timely, attractive investment incentives for businesses. These aspects, if well met, will create satisfaction for local investors. Therefore, this study hypothesized the following:

H4: Investment incentives have a positive impact on investment attraction

The research model is presented in Figure 1.

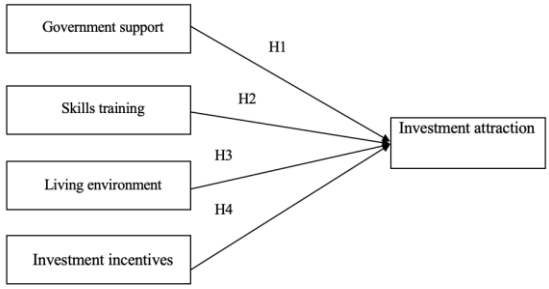

Figure 1. Research model

3. METHOD

3.1 Research design

The observed variables in each factor in the research model are built based on Kien et al. [11]. However, previous studies were carried out with simple approaches such as correlation analysis and regression. Therefore, the analysis using structural modeling (SEM) is limited. At the same time, the studies mainly asked for foreign direct investment enterprises but did not survey other provincial private enterprises investing in the receiving province. The scale used to evaluate the observed variables is a 5-point Likert scale (the questionnaire is shown in appendix). The content of the observed variables in each factor and the adjusted dependent variable is shown in appendix.

3.2 Data

The overall study is considered all enterprises that have invested in and carried out production and business activities in Thai Nguyen province. The study sample was drawn from this study population. The sample size is determined according to the principle of Comrey and Lee [12] at 200 enterprises with good performance (according to Maccallum et al. [13]).

The data collection method is done through a survey by a questionnaire sent to enterprises operating in the Thai Nguyen area. Respondents to these questions are identified as members of the Board of Directors of the enterprise. Surveys that are not members of the Board of Directors will be excluded and not considered valid. As a result of broadcasting 180 surveys, 150 valid investigations were obtained. The obtained results show that there are 105 domestic enterprises and 45 foreign enterprises.

The Table 1 shows the enterprises characteristics. Regarding the size of enterprises, it is mainly from 200 employees or less, with 48 enterprises with less than 100 employees (32%) l 46 enterprises with between 100 and 200 employees (30.7%); 37 enterprises with the number of employees from 200 to 500 employees (24.7%) and 19 enterprises with over 500 employees (12.7%). Regarding the number of years of establishment, the number of enterprises established under five years old accounts for the largest proportion, with 58 enterprises accounting for 38.7%. Enterprises established for 5-10 years have 40 enterprises, accounting for 26.7%, and the number of enterprises over ten years has 52 enterprises (34.7%) (see Table 1).

3.3 Data analysis

The collected data is put into Smart-PLS software for

analysis. First, the PLS-SEM model was performed to examine the impact of local attributes on attracting capital to the locality. The detailed tests are as follows: Checking the scale's reliability: Two indicators to check the scale's reliability are based on Cronbach's Alpha coefficient greater than 0.6 and composite reliability (CR) greater than 0.7. Next, evaluate the constructs' convergence based on the factor loading index greater than 0.5 and the AVE (Average Variance Extracted) greater than 0.5. Finally, to evaluate the discriminant validity, the square root index of AVE is larger than the corresponding correlation coefficient between the factors.

Table 1. Description of enterprise characteristics

		Frequency	Percent
Type of company	Domestic	105	70
	Foreign	45	30
Size	<100	48	32
	100-200	46	30.7
	200-500	37	24.7
	>500	19	12.7
Years	<5 years	58	38.7
	5-10 years	40	26.7
	>10	52	34.7
	Total	150	100

4. RESULTS AND DISCUSSION

4.1 The reliability test

The Table 2 shows the result of reliability test.

Table 2. The first time to Reliability test

	Loading	Cronbach's Alpha
Government support; CR=0.890; AVE=0.670		
HT1	0.837	
HT2	0.847	
HT3	0.89	0.836
HT4	**0.382**	
HT5	**0.468**	
Skill training; CR=0.829; AVE=0.515		
DT1	0.828	
DT2	0.773	0.746
DT3	0.837	
DT4	0.835	
Living environment CR=0.893; AVE=0.626		
MT1	0.768	
MT2	0.879	
MT3	0.823	
MT4	0.755	0.857
MT5	0.722	
Investment incentives; CR=0.912; AVE=0.721		
UD1	0.811	0.89
UD2	0.865	
UD3	0.836	
UD4	0.884	
Investment attraction; CR=0.923; AVE=0.751		
TH1	0.802	
TH2	0.86	
TH3	0.916	0.871
TH4	0.886	

Items will be included in the analysis for reliability when both Cronbach's Alpha coefficients are greater than 0.6 and AVE is greater than 0.5. Evaluation of convergence indicates that the factor HT does not reach the confluence with HT4 and HT5, having a factor loading less than 0.5 (Table 2).

Items HT4 and HT5 will be excluded from analysis and retested. After removing HT4 and HT5, all constructs are reliable and convergent when the loading factor is greater than 0.5 (see Table 3), CR is greater than 0.7, and AVE is greater than 0.5. Therefore, the constructs continue to be included and analyzed in the next steps.

Table 3. The final reliability test

	Loading	Cronbach's Alpha
Skill training; CR=0.890; AVE=0.670		
DT1	0.828	
DT2	0.773	0.836
DT3	0.837	
DT4	0.835	
Government support; CR=0.904; AVE=0.759		
HT1	0.849	
HT2	0.857	0.842
HT3	0.906	
Living environment; CR=0.893; AVE=0.626		
MT1	0.768	
MT2	0.879	
MT3	0.823	0.857
MT4	0.755	
MT5	0.722	
Investment attraction; CR=0.923; AVE=0.751		
TH1	0.802	
TH2	0.860	0.89
TH3	0.916	
TH4	0.885	
Investment incentives; CR=0.912; AVE=0.721		
UD1	0.811	
UD2	0.865	0.871
UD3	0.836	
UD4	0.884	

4.2 Discriminant test

Next, the factors are all discriminant when the square root of AVE is smaller than the corresponding correlation coefficient between the factors. The Table 4 shows the result of discriminant test. For example, the smallest quadratic strain of AVE is 0.791, and the largest corresponding correlation coefficient is 0.633 (Table 4). After the discriminant test, the factors will be included in the analysis of the PLS-SEM model to test the research hypotheses.

Table 4. Discriminant validity

	DT	HT	MT	TH	UD
DT	**0.819**				
HT	0.499	**0.871**			
MT	0.465	0.336	**0.791**		
TH	0.608	0.742	0.523	**0.867**	
UD	0.455	0.52	0.409	0.633	**0.849**

4.3 Testing the hypotheses

The results of the PLS-SEM analysis show in Table 5. The result shows that the independent variables do not have serious multicollinearity when the VIF is less than 10. Furthermore, the analysis results also show that all four factors have the same effect on attracting investment capital into the locality (Thai Nguyen Province). Therefore, the research hypotheses are accepted. Specifically:

The factor HT positively affects TH (β=0.468 and p-value = 0.000). This result indicates that when the local government has as much support as possible for businesses investing in the locality, it will increase the investment incentive of businesses. Hypothesis H1 is accepted. DT has a positive effect on TH (β=0.184 and p-value = 0.003). Therefore, the fact that the locality can meet the factors related to skills training for workers will help increase the attraction of capital to the province. In other words, hypothesis H2 is accepted.. Next, the factor MT positively affects TH (β=0.186 and p-value = 0.003). The better the local living environment, the more attractive the local investment capital will be. Hypothesis H3 is accepted. Finally, the factor UD positively affects TH (β=0.229 and p-value = 0.003). The more preferential policies the locality has, the more it will attract investment capital into Thai Nguyen province.

Table 5. The result of PLS-SEM

	Beta	Std	t-stats	P-Values	VIF
DT -> TH	0.184	0.062	2.965	0.003	1.584
HT -> TH	0.468	0.089	5.253	0.000	1.56
MT -> TH	0.186	0.063	2.95	0.003	1.364
UD -> TH	0.229	0.076	3.021	0.003	1.547

4.4 Discussion

Good local support will increase investment attractiveness for businesses. The developed transport system creates favorable conditions for moving within the province and surrounding satellite provinces. Therefore, creating favorable conditions for traveling as well as transporting goods. The convenient move makes operating and serving the business's work more convenient. At the same time, the support in terms of legal procedures to work in the province also makes it easier for companies to do business in the region. Finally, the support of local authorities when companies need to create problems arise in the business's working process to be resolved more quickly.

The factor of vocational skills training also positively influences attracting investment capital of enterprises to the locality. In the locality, there are vocational schools that meet the human resource needs of businesses, which will help enterprises not to worry about human resource problems. Quality human resources are provided enough in the province, which is favorable for businesses in recruiting workers. At the same time, with a highly skilled labor force in the area, the work in the enterprise can be completed well as expected. Human resources are trained in vocational schools and centers with short-term training courses that bring advantages to localities. Training to improve skills such as office work, foreign languages, etc. is also an advantage for localities with centers providing this service.

Next, the local living environment factor also has a positive impact on attracting investment capital. Systems such as schools, the development of health care help ensure learning problems for the children of staff, or medical services serving employees' health are guaranteed. In addition, the environmental pollution factor is also an indicator of the living environment for businesses. Localities with fresh air and less pollution will attract more investment for businesses. In addition, convenient and adequate entertainment and supermarket services are also factors to help companies invest more.

Finally, local investment incentives positively influence attraction investment in Thai Nguyen province. With timely preferential policies for businesses, it will help companies promote their business advantages. At the same time, attractive investment incentive policies increase competitiveness with other localities in attracting investment into the locality. Therefore, with local policies superior to other localities, businesses will be more concerned about their benefits when investing in the province.

5. RECOMMENDATIONS

Many localities have revived their economies by applying local marketing theory to develop and demonstrate the superiority of local marketing theory over comparative advantage theory (Fairbanks & Lindsay, 1997). The results of this study also provide some policy implications for researchers and local marketing practitioners to build attractive local attributes for investors:

Firstly, improve investment incentives to attract investment enterprises. It should be noted that local investment incentives are conditional incentives. That is, local investment incentives must be open but also oriented. The locality creates favorable conditions for enterprises to meet "standards" according to their development orientations, such as: Having a labor training policy, using high technology, clean technology, etc. At the same time, the policy must also restrict businesses that use outdated technology, pollute the environment, and produce and trade in non-recommended services. In general, local preferential policies must ensure (1) fairness among businesses, (2) a mechanism to receive preferential policies quickly, (3) attractive policies compared with other localities, and (4) the policy must be timely.

Second, improve the factor of government support by measures such as: creating favorable conditions for businesses to access infrastructure systems (such as transportation systems), especially in industrial zones. . Third, implement transparency and concretize the investment licensing process for enterprises. Because the lack of transparency and process specificity causes many problems for enterprises and increases hidden costs, limiting the business process of enterprises [10]. In general, to improve the attribute of government support, the locality must progress to proactively supporting businesses. The government is the "midwife" to solve difficulties for businesses, not an agency. The administration "grants" incentives to friendly business groups.

Third, improve the skill training factor of employees. This can be done through policies on supporting enterprises to train workers. For example, after graduating from high school, we have career orientation for young people, opening vocational training centers and attract trained laborers from large training centers such as Hanoi and Hai Phong to work locally.

6. LIMITATIONS AND FUTURE RESEARCH

Although research has found important resources to help attract private investment to Thai Nguyen province. However, the study still has some limitations: First, the study uses a limited sample size with private enterprises investing in Thai Nguyen province. This may be different when researching with other locales. Second, the impact of COVID-19 may affect the attraction of private investment capital to the

province.

From these limitations, the study also proposes the following studies. Firstly, expand the study to other provinces and geographical regions to increase the sample size as well as the representativeness of the region. Second, an estimate of the COVID-19 factor for attracting private investment to Thai Nguyen province.

ACKNOWLEDGMENT

Product of Scientific Research Project at Thai Nguyen University: "Impact of non-state investment capital on socio-economic development of Thai Nguyen province," code: DH2021- TN08 - 04, by Dr. Pham Thi Nga, University of Economics and Business Administration - Thai Nguyen University is the chair of the project.

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APPENDIX

The Contents of Items in the Questionnaire

No	Code	Contens	Level				
I	**Government support**						
1	HT1	Good traffic support	1	2	3	4	5
2	HT2	Quick legal administrative procedures	1	2	3	4	5
3	HT3	Government support when the company needs	1	2	3	4	5
4	HT4	Update tax policy quickly	1	2	3	4	5
5	HT5	Specific and transparent investment licensing process	1	2	3	4	5
II	**Skill training**						
1	DT1	Vocational schools meet the requirements	1	2	3	4	5
2	DT2	Workers with high labor skills	1	2	3	4	5
3	DT3	Employees who graduate from training institutions can work immediately	1	2	3	4	5
4	DT4	Easily recruit good managers	1	2	3	4	5
III	**Living environment**						
1	MT1	Good school system	1	2	3	4	5
2	MT2	Good health system	1	2	3	4	5
3	MT3	Environment is not polluted	1	2	3	4	5
4	MT4	Attractive entertainment spot	1	2	3	4	5
5	MT5	Friendly residents	1	2	3	4	5
6	MT6	There are many places to shop	1	2	3	4	5
IV	**Investment incentives**						
1	UD1	Preferential policies come in time	1	2	3	4	5
2	UD2	Attractive investment incentives policy	1	2	3	4	5
3	UD3	Investment incentives are fair to all businesses	1	2	3	4	5
4	UD4	Access to preferential policies easily	1	2	3	4	5
V	**Investment attraction**						
1	HL1	Effective investment enterprise in Thai Nguyen province	1	2	3	4	5
2	HL2	Enterprises are satisfied with Thai Nguyen province's policy of attracting investment capital	1	2	3	4	5
3	HL3	The business achieved profits as expected	1	2	3	4	5
4	HL4	Enterprises continue to invest in the long-term in Thai Nguyen province	1	2	3	4	5