Research Report

An Exploratory Case Study On How Delay Cost Affects Foreign Direct Investment (FDI) In Vietnam

By

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Table of Contents

Certification Page

I, NGUYEN Hoang Tri (Student ID - 51220600) hereby declare that the contents of this Master's Thesis / Research Report are original and true, and have not been submitted at any other university or educational institution for the award of a degree or diploma.

All the information derived from other published or unpublished sources has been cited and acknowledged appropriately.

NGUYEN Hoang Tri

2022/05/23

Abbreviations

BADM	Business administration
BIZ	Business
FDI	Foreign Direct Investment
FIE	Foreign Invested Enterprise
HFDI	Horizontal Foreign Direct Investment
LURC	Land Use Regulation Certificate
MNE	Multinational Enterprise
MNC	Multinational corporation
OECD	Organization for Economic Cooperation and Development
PCI	Provincial Competitiveness Index
SOE	State-owned Entrepreneur
US	USA
VCCI And USAID	Vietnam Chamber of Commerce and Industry and United States Agency for International Development
VFDI:	Vertical Foreign Direct Investment

List of Figures

List of tables

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Summary

Foreign direct investment (FDI) in the future offers promising potentials with new projects. The Vietnamese Government has been and continues to strengthen the system of FDI policies and the quality of FDI management in the direction of constructing a digital government that will guarantee the attainment of foreign investment objectives established for the period 2025 to 2030. Instead of waiting for investors to travel to Vietnam, numerous areas around the nation have made direct contact with foreign enterprises in the host country and linked with the Ambassadors over the internet. Vietnam is trying to host investment promotion conferences in other countries to entice international companies to invest. On the basis that Vietnam has stable political and macroeconomic institutions with a market of nearly 100 million people and a growing middle class. Besides, the investment and business environment is increasingly improved and international integration is extensive. Moreover, Vietnam has many conditions for investors to reduce transaction costs and stably connect the global supply chain.

Among the many factors that play a role in the decision-making process regarding FDI, my research focuses on understanding and explaining how ‘delay cost’ or ‘the cost of delay’ is affecting the attraction of Foreign Direct Investment (FDI) into Vietnam by analyzing the secondary data collected from the Vietnam Chamber of Commerce and Industry and the United States Agency for International Development. The cost of delay is an essential indicator in lean management that evaluates the financial impact of a delay; yet, the majority of

organizations do not fully understand how or why it must be computed. Delays may cost millions of dollars, depending on the size of the firm, and in the context of my study, they can lose the nation an FDI opportunity. This study reviews the data and explains why and how we can lower the cost of delay and where the process can be optimized to accelerate it and attract FDI.

One of the salient contributions by this research to find that while the indices of ‘land access’ and ‘policy bias’ are not so statistically significant for the number of FDI projects, the indices of ‘entry cost’ and ‘time cost’ are statistically significant. It is too early to conclude the impact of the Delay Costs on the number of FDI projects only from the regression in this study because the fitness of the regression is not so high. However, the result of the regression suggests that the index of ‘time cost’ which is directly reflected in the associated transaction cost incurred in the interim and ex-post monitoring process is likely to create the most significant impact on the investors’ decision-making into Vietnam. With respect to the sub-indices of Entry Cost, this component index appears mostly as ex ante cost, which is the first stage in the decision-making process of a foreign investor. In the meanwhile, Time costs are incurred as interim and monitoring expenses with a prolonged duration. Consequently, the emphasis in Vietnamese Governance may be mostly on Time Cost aspects. In the competition to attract FDI, the 'delay' process (high transaction cost of producing delay) is significantly more crucial to FDI attractiveness in sustainable development.

Chapter 1: Introduction

1.1. Introduction

This chapter highlights the overview of the research aim, objectives, and focus together with the importance of my research which will significantly contribute to the understanding of how the delay in the process or so-called delay cost is affecting the foreign direct investment in Vietnam.

1.2. Research Background

Foreign direct investment (FDI) is the acquisition of a firm's stock by a corporation or investor from outside the country. In general, the word refers to a commercial decision to purchase a significant share in or buy a foreign company completely to extend its activities to a new territory. The investment might be used to acquire a material source, extend a company's territory, or establish an international presence. Horizontal FDI, Vertical FDI, Platform FDI and Conglomerate FDI are the most typical types of FDI and currently, China is regarded as the global leader in attracting FDI to its economy (Investopedia, 2021). FDI helps to promote and sustain economic development in both the receiving and investing countries, developing nations have pushed for FDI to help fund the building of new infrastructure and the creation of employment for their citizens (ibid). For developing nations, FDI has become a significant source of private foreign money. It differs from other main forms of external private capital flows in that it is primarily driven by the investors' long-term expectations for profit in industrial operations over which they have direct control. While FDI signifies an investment in

manufacturing facilities, it has a considerably higher impact on underdeveloped nations because FDI increases investible resources and capital creation, but it can also be used to transfer production technologies, skills, inventive ability, organizational and management practices, and access worldwide marketing networks across places (Mallampally & Sauvant, 1999).

Vietnam's economic development has been fueled by foreign direct investment. Due to stringent lockdowns and mobility restrictions for almost half of the year in 2021, Vietnam had an arduous year. This caused a severe economic collapse, resulting in job losses and company closures. It exacerbated supply chain snarls, impacting global MNCs when demand peaked in western markets owing to plant closures and rigorous quarantine regulations (Samuel, 2022). In the first quarter of 2022, Vietnam received $4.42 billion in foreign direct investment (FDI), an increment of 7.8% over the previous year however it is still 12% lower than the same period before the pandemic (Asia Economy, 2022). The finest corporations in the United States, Europe, and Japan are choosing Malaysia, Indonesia, and Thailand, which already have established supporting sectors and highly skilled people resources. The rivalry for foreign direct investment (FDI) among regional nations is intensifying, placing Vietnam in danger of losing its appeal to international investors if no bolder changes are implemented (National Institute For Finance, 2019).

Moreover, according to the General Statistic Office of Vietnam (2022), competition for FDI is becoming serve, especially in light of restricted capital availability and the devastating consequences of the COVID-19 epidemic to maintain, and revive the economy and take advantage of recruiting foreign resources. Due to this competition for FDI is becoming increasingly severe among emerging nations with similar markets, development levels, technology, and manpower (ibid).

However, Vietnam is now regarded as a "great location for high-quality FDI inflows". The total amount of foreign investment capital registered in Vietnam rose significantly by 18.5 percent during the same time period. The United States increased by 205.5 percent, Japan by 147.7 percent, and South Korea by 67.1 percent in the last year. In addition, it is evident that Vietnam's recent success in the battle to attract the most FDI in the globe is due to a variety of other variables. Foreign investors place a premium on sociopolitical stability as one of the most significant variables influencing the execution of economic development strategies. Sociopolitical stability in Vietnam has instilled local and global investors with a high level of confidence. Investors are prepared to deploy resources for further investment and production expansion. The infrastructure of the nation's economic industrial parks, specialized economic zones, and economic zones continues to be developed and improved (General Statistics Office of Vietnam, 2021). In recent years, the quality of Vietnam's human resources has steadily increased due to the government's emphasis on investing in public education. The workers' cultural development, skill training, and professional qualifications have increased labor productivity in Vietnam, which is a competitive advantage in luring international investment. Utilizing trade agreements that Vietnam has signed, FDI projects are expected to continue entering Vietnam in the near future. Moreover, Vietnam must continue to develop its legislative framework and provide investors with fair and equitable corporate investment conditions (ibid). Last but not least, the basic need of the business community is profit, and one of the requirements to meet that need is reducing the transaction costs in the business environment (Nguyen, Phan & Lobo, 2019). Otherwise, the component in transaction costs such as the cost of delay also needs to be reduced to attract more businesses and enhance the investment climate.

This research consists of four Chapters. The first chapter shows the introduction, which includes the research background, research focus, research questions and objectives, and the significance of the research. The second chapter has presented the Literature Review of the research on the drivers behind FDI's decision-making, the delay cost, and the importance of Delay Cost in FDI's decision-making. The third Chapter mentioned Methodology and Data analysis, which analyzed the relationship between the direct variables of Delay Costs over the years and the number of FDI projects in Vietnam. Finally, the last chapter concludes the findings of how the delay cost affects FDI in Vietnam and proposes recommendations to the Vietnamese government.

1.3. Research Focus

Multinational corporations participate in FDI for a variety of strategic objectives, including increasing market penetration, absorbing or transferring new technology, getting access to resources or acquiring influence over rivals, lowering production costs, and so on. Amidst all the contributing factors that assist in FDI decision-making, the focus of my research is to understand and explain how Delay Cost is affecting the attraction of FDI into Vietnam by analyzing secondary data collected from the Vietnam Chamber Of Commerce and Industry, and United States Agency for International Development.

1.4. Research Questions and Objectives

The main research question is how the delay cost is affecting the attraction of potential FDI to Vietnam and to fully understand the answer to this research question, the

following series of sub-questions or objectives will be answered to formulate the final answer.

1. Why foreign investors chose to invest abroad?
2. How important is the Delay Cost in the decision- making process for FDI?
3. What are the existing trends or relationships between Delay cost and FDI in Vietnam?
4. How to apply the trends or relationships to understand and explain the effects of delay cost in attracting FDI to Vietnam.

The research aim is to understand how the delay cost affects attracting FDI in Vietnam. Through the lessons learned, suitable recommendations will be provided that can assist Vietnam in attracting more FDI. The research objectives are listed below.

1. To identify the drivers behind the need for FDI
2. To examine the decision-making process in FDI and its associated effects on the economy
3. To investigate the relationship between delay cost and its effects on FDI
4. To explain how the delay cost is affecting in attracting FDI in general for Vietnam.

1.5. Significance of the Research

The cost of delay is an important indicator in lean management that measures the financial effect of a delay however, the majority of businesses do not completely

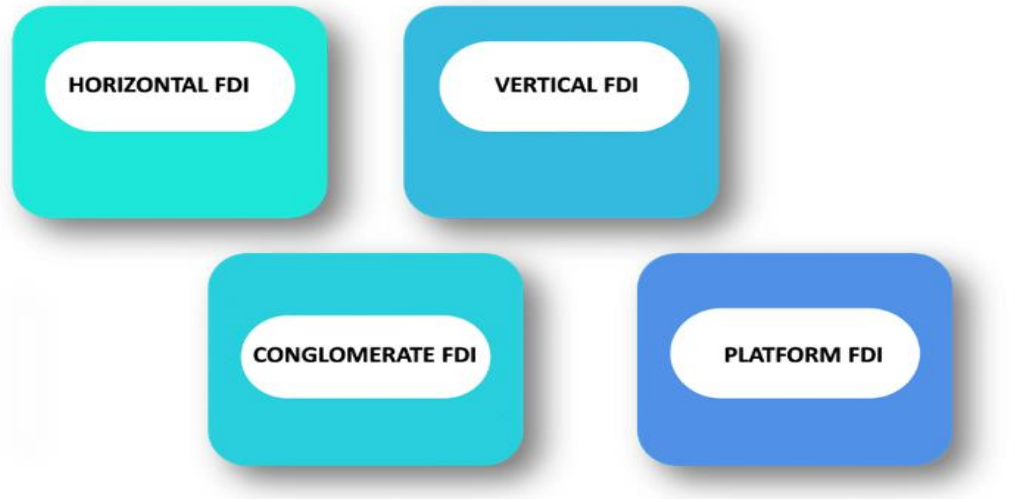
comprehend or know-how and why it should be calculated. This may be an expensive error since delays can cost millions of dollars depending on the size of your business (Kanbanize, n.d) and in my research case it may cost a country an FDI opportunity. This research will evaluate the findings and explain why and how we can reduce the delay cost and where to optimize the process to expedite and attract FDI.

Chapter 2: Literature Review

2.1. What Are The Drivers Behind FDI?

Foreign direct investment (FDI) is described as an activity in which a foreign company comes to a receiving nation to establish and operate a firm (OECD, 2008). In addition to portfolio investment and other flows such as bank loans, FDI is one of the three components of international capital flows (Protsenko, 2003). There are 4 types of FDI - Horizontal, Vertical, Conglomerate, and Platform, as elaborate below:

Figure 2. 1. Types of Foreign Direct Investment



Source: Shaji (2021)

When a corporation invests in a foreign firm that makes similar goods, this is referred to as horizontal foreign direct investment (FDI) (Protsenko, 2003). Through horizontal FDI, a company is able to leverage its know-how and technical skills without the risk of other parties appropriating them, as would be more likely through the

operation of supply chains (European Central Bank, 2018). It is a kind of foreign direct investment (FDI) that targets economies with similar relative factor endowments but higher tariffs and trade obstacles. Global FDI is expected, according to their "new trade theory." The range of indicators where MNCs dominate in equilibrium may be determined by numerical simulations. According to Markusen (1998) and Markusen (2004), they incorporate horizontal FDI and vertical FDI in a single foundation that is known as the "knowledge-capital model". The model represents regions with varied relative “factor endowments”, “trade costs”, and “market sizes” where national firms, horizontal multinational corporations, and vertical multinational corporations are dominant or diversified, respectively (Protsenko, 2003).

When an investment is made inside the supply chain but not directly in the same industry, this is an example of vertical FDI. Another example of vertical FDI is when a company invests in a foreign entity to which it may give or sell its goods or services. (Protsenko, 2003). Acording to Helpman (1984), the author established the model of vertical FDI, which provides a general equilibrium model in which inter-sector, intra-industry, and intra-firm trade occur. The growth of vertically integrated MNCs is driven by disparities in relative factor endowments and businesses' locational decisions based on cost reduction.

Vertical FDI occurs when a multinational splits the manufacturing process worldwide, situating each step of production in the nation where it can be completed at the lowest cost. Horizontal FDI happens when a global corporation conducts identical industrial operations in numerous nations (National Bereau of Economic Research, 2001). Nonetheless, two other kinds of FDI have been identified: conglomerate and platform FDI.

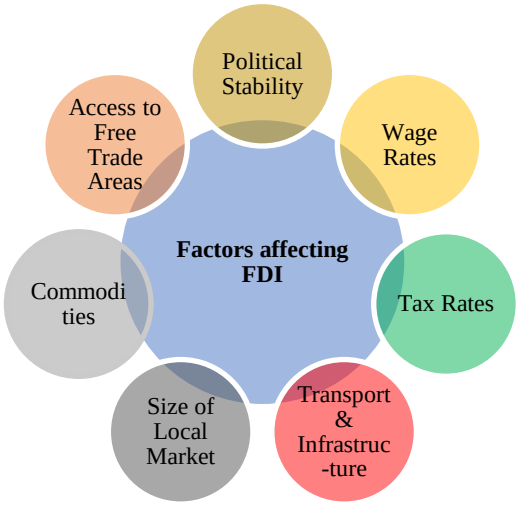
Conglomerate: A conglomerate kind of foreign direct investment happens when a corporation or individual invests overseas in a business that is unrelated to the firm's present operations in its home country. Because this kind of investment demands the entrepreneur to enter a field in which they have no prior experience, it is often structured as a joint venture with a multi-national firm that is already well-established in the market (Herger et al., 2014).

In recent years, a new kind of foreign direct investment (FDI) that is focused on exports called export-platform FDI or Platform FDI has arisen quickly in various locations. Many scholars have been interested in this kind of FDI because of its direct connection to the continuous process of trade liberalization as well as the many free trade agreements signed by geographically adjacent nations in a variety of locations (Protsenko, 2003). Ekholm et al. (2007) have developed a hypothesis explaining the circumstances under which multinational corporations exploit a country as an export platform to service the needs of other nations. They also discover empirical evidence of foreign direct investment in export platforms made by US affiliates in European countries. The fact that foreign direct investment in export platforms reacts not only to the features of a host nation but also to those of surrounding countries is one of the most significant implications of this kind of FDI. Overall, a platform may be a firm that develops into a foreign nation yet exports its foreign operations' product to a third country. Frequently called export site FDI (Protsenko, 2003).

Globalization has developed into an unavoidable pattern, and foreign direct investment has become a fundamental demand for all nations, especially rising ones. According to Chandran (2013), it is considered one of the significant driving variables affecting an emerging country's economic growth. FDI makes it easier for developing nations to get outside funds and learn about current technologies and business

management from industrialized ones. As a result, FDI has enhanced living standards through improving both export revenue and economic development, as well as the number of employment created. Furthermore, FDI also promotes local firms to strengthen their business management by introducing new technology, increasing efficiency, and lowering product prices owing to international competition, according to Pao (2011). Besides these factors beneficial to the host countries, there are some drivers which make the foreign investors choose FDI as an attractive investment channel, such as political stability, friendly investment climate, market diversification, tax incentives, preferential tariffs, labor costs, and subsidies (IMF, 2001) (see Figure 2.2: Factors affecting Foreign Direct Investment).

Figure 2. 2. Factors affecting Foreign Direct Investment



Source: Pettinger (2019)

Firms contemplating international investments desire political stability and a business-friendly regulatory climate (Gonzalez, 2017). The absence of corruption, the robustness of institutions, and the authority of the rule of law are some of the variables that contribute to political stability. Consequently, multinational firms must thoroughly examine it while selecting an FDI location. The political stability of a potential site for

foreign direct investment might be a deal-breaker for a multinational firm (MNC) trying to establish a presence in a new region. The significance of this factor stems from its vast and diverse ramifications, which touch on the different political, financial, and economic characteristics of a nation (Caon, 2021). For example, Venezuela is a fascinating example of a country with immense potential that fails to attract foreign direct investment due to political insecurity, which has produced in high levels of social unrest, corruption, poverty, violence, and inflation. As a result, it ranked 173rd out of 180 nations on the Corruption Perception Index 2019 (Transparency International, 2019); it scored 25.7 out of 100 on the World Economic Forum's Global Competitiveness Report 2019 for institution strength, and it ranked last out of 128 countries on the World Justice Project's Rule of Law Index 2020. Foreign direct investment is a risky endeavor, and political instability is a major deterrent for multinational firms when they're looking to invest in a new country. The degree of institutional distrust and corruption is often linked to a country's precarious political situation (Caon, 2021).

Labor is a significant driver of FDI not just because of its price (Caon, 2021). Mainly, “Freedom of association and collective bargaining” standard addresses employees' rights to engage freely in union formation, strikes, and collective bargaining with employers (Sarna, 2005). This is the most contested of the four rights. This norm is resisted by many businesses since it conveys some control to employees. They feel that unions may needlessly lead to strikes, politics, and corruption, which can impair productivity and discourage investment. This standard's enforcement also grants employees the right to bargain for higher salaries, hence boosting average labor costs and influencing FDI (ibid). It may be argued that the availability and quality of labor are even more crucial. In areas such as pharmaceuticals, electronics, and

telecommunications, several multinational corporations choose to invest overseas due to the need for more highly trained labor. Certain areas are especially appealing to multinational corporations (MNCs) when combined with low-cost, high-skilled labor. The quality of labor is quickly becoming one of the most important, if not the most important, determinants of FDI (Caon, 2021). There are a variety of expenses associated with establishing an FDI enterprise, which is often driven by demand. Often, multinational corporations expand overseas to outsource labor-intensive manufacturing to nations with cheaper costs. For heavy industrial businesses, however, the cost of raw materials, energy, and distribution is more important than labor expenses, which may account for 90 percent of total costs in the financial services industry. When contemplating establishing a presence in a new market, multinational corporations must also consider property expenses (Caon, 2021).

Additionally, a country's or region's "business climate" is comprised of its tax system and regulatory framework; these two elements might be crucial when a multinational corporation (MNE) seeks to grow into a new country (Caon, 2021). All foreign direct investment factors besides cost are subject to a quality screening. This includes most of the tax system, but also incorporates the regulatory framework; this is the all-important business climate. Large multinational corporations have often sought to invest in nations with lower corporate tax rates from a tax viewpoint. For this reason, Ireland, for example, has been successful in recruiting Google and Microsoft. In Ireland, for instance, the 12 percent corporation tax rate draws several international investors, especially from the United States (Shane & Mark, 2018).

Furthermore, for investors, the most important rule of thumb is to look for the best risk-to-return ratio possible for their money. Basically, the goal is to maximize return over and above the amount of risk that is accepted in any one investment. Multi-

asset diversification has been shown mathematically to increase returns while reducing risk the best approach to do this. To protect against the effects of a single market downturn, a well-diversified portfolio should include eight to ten assets that are uncorrelated (or do not move concerning one another). These assets come from a variety of sectors and geographical regions. To increase risk-adjusted returns, it is beneficial to invest in several nations (geographical diversity) (Kuepper, 2021). According to Madura, & Whyte (1990), Diversification methods are often used to stabilize cash flows and, thus, lower the perceived risk among shareholders and creditors. Even while shareholders may diversify on their own by investing in a variety of equities, firms may nevertheless want to stabilize cash flows to satisfy creditors and obtain a reduced cost of capital. Overall, foreign direct investment has been a pillar for governments and businesses alike. By purchasing a controlling stake in overseas assets, firms or businesses may rapidly acquire new goods and technology and sell their current products in new markets and by supporting foreign direct investment, authorities can increase economic development and generate employment (Kuepper, 2022).

2.2. How important is the Delay Cost in the Decision-Making Process for FDI?

Global economic activities for business operations and investment opportunities continue to shift subject to economic liberalization, technological advancement, and demographic change. Decision-making in foreign direct investment towards these changing environments is vital for firms investing in a foreign country. The following outlines key points in understanding foreign direct investment decision-making. The three main forces behind firms deciding to invest in a foreign country include firm

resources, industry conditions, and institutional environment. These constitute a view of resources industries and institutions. According to Kuzyet (2021), the resources by firms come in the form of skills and capabilities. Utilizing these assets provides useful input for investment and most are rare to previous existing business operations or partnerships. This contributes to the firm's competitive advantage as the firm's strategy for investment beyond its borders. From the industry view, there has to be an urge to minimize competitiveness in a specific industry. For a firm to invest outside its national domain, more emphasis is on the strategy of investment. A well-strategized plan for investment gives a firm a more competitive urge for investment. Regarding institutions, the environment of investment is the key emphasis. Formal or informal institutions are made up of societal transactions including politics, law, culture, or society. Importantly, the rules of investment are governed by institutions that are critical for implementing regulations, and structure, and setting guidelines or practices for investment. The relationship between the firm and institutions in the foreign country is vital for decision-making for investment. Overall, the connection between resources, industry, and institutions makes corporate decision-making vital. FDI can make a country more competitive, increase its export potential, get a share of profits from foreign companies, and get foreign currency through FDI service operations. All of these things are done to increase profits and lower transaction costs (Hoang, 2019).

According to the New Institutional Economics hypothesis, transaction costs play important role in economy, and agents make financial decisions based on the magnitude of such costs. Transaction expenses may function as a deterrent to starting a business. And nowadays, more and more researchers make the debate on transaction cost definitions and their impact of them on economies, e.g.: Coase (1960), Arrow (1969),

Williamson (1979), Furubotn and Richter (1997), North (1984 and 1990), Mankiw (1985), Williamson, 1985).

Transaction costs, according to Coase (1960), are defined as mainly made up of "information acquisition costs" and "negotiation costs". According to Arrow (1969), transaction costs are the expenses of the "economy's operating system". They have lately been given a broader meaning that covers some expenses with international characteristics. As a result, Furubotn and Richter (1997) describe transaction costs as the expenses of "creating, operating, maintaining, and modifying institutions." "Transaction cost" can be defined as "the economic equivalent of friction in physical systems" (Williamson, 1985). Transaction costs include ex-ante costs such as (i) "finding the right partners"; (ii) "negotiating prices"; (iii) "drafting and writing appropriate contracts"; and ex-post costs of (iv) "monitoring"; (v) "enforcing the contract", and (vi) "disputing and contestation" (ibid).

The influence of transaction costs on investments is a common topic of study, as seen by the literature. The key writers on this subject are Fazzari et al. (1988), Whited (1992), Schaller (1993), and Faroque and Ton-That (1994). Overall, the existence of transaction costs has a detrimental influence on investment levels in distinct industries in various nations, according to these authors. Finally, according to Richman (2006), the literature on industrial organizations has been instrumental in reaching different sorts of administrative best practices to lower transaction costs.

In the literature, a great deal of emphasis has been placed on the role of institutional elements on the effectiveness of economic themes. According to Rutherford (1995), Coase (2005), Greif (2005), Hodgson (2000), Joskow (2008), Menard (2004), Murrel (2005), and Opper (2008), institutional factors are the most important at the moment. The authors emphasize the following factors as most relevant:

"high administrative barriers," "artificial barriers" imposed at the stage of entering a sector, and "limited access to financial and informational resources." Overall, the presence of the above-mentioned obstacles and the necessity to overcome them is caused by considerable financial costs; they are usually called "transaction costs."

In terms of methodologies to examine the level of transaction costs, there has been little research done in the past. Typically, Sara and Newhouse (1995) studied the influence of indices of economic freedom and the business climate on developing country foreign direct investment flows using Heritage Foundation data. Foreign investment flows are observed to be lower in nations with inadequate international trade policy, regulation, and property rights. Maher (1997) examines case studies from several sectors to verify the link between contracts in a transaction cost setting. Four industries were investigated for this: automotive, mechanical engineering, electronics, and gas. The author discovers evidence that the market is the best form of governance for lowering transaction costs. As a result, the problem of opportunity, which is one of the major transaction costs, has been mitigated. According to Dunning (1994), nations and corporations implemented structural modifications in the 1990s to make foreign direct investment more appealing. A stronger balance between domestic and international accounts, a rigorous privatization drive aimed at decreasing bureaucracy and expanding market participation in the provision of goods and services, and, ultimately, a push toward more central bank autonomy are all examples of such shifts. Transaction costs have decreased as a result of the aforementioned modifications. According to the author, these reforms will allow for increased capital flows and help certain nations fund their balances of payments. Mattos, Cassuce and Campos (2007) look at the factors that influenced Brazil's foreign direct investment between 1980 and 2004. Using an error-corrected modelling technique, they discover evidence of direct

investment. Country risk, openness, and the rate of inflation are all factors that influence foreign investment in Brazil.

Vietnam has achieved impressive achievements in enhancing national competitiveness in almost all fields over the years through the Provincial Competitiveness Index (PCI) (VCCI&USAID, 2020). In this study, it is assumed that "institutions" in terms of "rules" would matter to determine the degree of transaction cost embedded in the economic system. PCI may be considered as an indicator of 'good/bad' institutions that determine the degree of the transaction cost. We assume that stronger competitiveness may be attributable to 'good' creation and implementation of rules which may contribute to lowering transaction costs, consequently attracting more FDI. The PCI is made up of 10 component indexes that represent various aspects of economic governance that drive private sector growth. Otherwise, enhancing these indices will help to mitigate the transaction cost. A province that is considered to perform well on the PCI has some elements, such as: (i) "the easy level to access to land and security of business premises"; (ii) "a transparent business environment and equitable business information"; (iii) "proactive and creative provincial leadership in solving problems for enterprises"; (iv) "fair and effective legal procedures for dispute resolution"; (v) "developed and high-quality business support services"; (vi) "labor training policies" (vii) "lowering entry costs"; (viii) "minimalizing informal charges"; (ix) "time constraints for bureaucratic procedures and inspections"; and (x)" limiting crowding out of private activity due to policy biases toward the state, foreign, or connected firms" (VCCI&USAID, 2005).

According to Nguyen, Phan, and Lobo (2019), when it comes to the link between FDI and transaction costs, FDI businesses are primarily concerned with lowering transaction costs to increase revenues. Reflexion of business ideas through

indices that were surveyed over years will be the reference index of investment opportunities. In “Voice of the Poor” by Narayan (2000), thousands of people can speak out about what they wish for their own lives. Later, Provincial Competitiveness Index will be the entrepreneurs’ voice, describing what they encounter in the business environment. Through this fair reflection, the opportunities for foreign investors coming and investing in Vietnam are higher and higher. A component of transaction cost was defined that Delay Cost as “a crucial business metric that offers insights into how time and value correlate” (Airfocus, n.d.). Specifically, measuring the cost of delay allows organizations to evaluate the economic effect of a delayed market launch. In these components as above, the most directly related to delay cost such as the easy level to “access to land and security of business premises”; “lowering entry costs”; “time constraints for bureaucratic procedures and inspections”; “limiting crowding out of private activity due to policy biases toward the state, foreign, or connected firms” will be tested to check how delay costs will affect FDI in Vietnam. In the other hand, these indexes are created to elaborate the barriers or “delay” to business procedures so that they can maximize their profit better.

Unlike earlier studies that have attempted to prove the negative effect of transaction costs on specific sectors or industries, the relevance of this analysis represents business investors’ perspectives on transaction costs in general, and the cost of delay in particular, in attracting FDI.

According to the VCCI & USAID (2020), the group was used to apply the business list of the tax group to the type of business (private enterprises, joint-stock companies) and economic sectors in a rate sample by province (public production, Businesses, construction, resource extraction, services and commerce, and agriculture), as well as the age of the company. Due to the correlation between firm size and

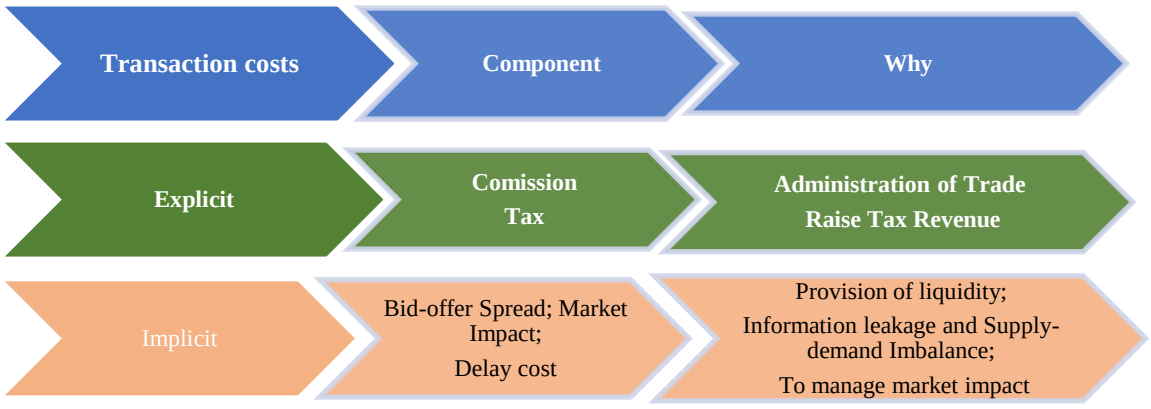
enterprise type, firm size was not used for clustering. Regarding the scope, according to VCCI & USAID (2020), the PCI re-evaluates its methodology every four years and recalibrates it solely to ensure that it appropriately represents the public and is relevant to policymakers. The annual reports provide policymakers with up-to-date information about the perspectives of businesses on recent developments in Vietnam's business climate. The most recent update to the PCI measure occurred in 2017, with adjustments in 2013 and 2009 before it (ibid).

According to VCCI & USAID (2019), the 2019 PCI Index is produced following the annual survey protocol and the 2017 methodology change. There are three stages in the procedure: i) Accumulating Collect data from firm mail survey data sources and state agency statistics data sources. ii) Calculating 10 component indexes and standardizing them on a 10-point scale using information gathered from private business feedback and statistical data, and iii) Calculating the composite PCI score by weighting the total of the component index scores. The PCI 2019 index, which consists of 128 indicators and 10 assessment categories, will stay unaltered. As is normal, the research team will examine and revise the PCI methodology every four years, PCI 2021 will be the next edition, reflecting changes in the business environment, policy books, and legislation, as well as the growth of the business community. The finalization of the PCI approach will continue to be based on conversations between industry experts and businesses, and the study team anticipates receiving as many proposals as in the past.

2.2.1 What is Delay Cost?

According to the definitions of transaction costs, investors are involved in various and complicated processes for their decision-making and the implementation of their investment. These activities – including the collection of information, the documentation of agreements, and the acquirement of necessary approvals and so on – are not necessarily frictionless and involve necessary time and burdens. There are several factors that contribute to transaction costs. Some imply an actual cost to a trading venue or intermediary to complete the transaction ("explicit"), while others represent the notional market value lost throughout the buying and selling process ("implicit") (Schroders, 2021). (See Figure 2.3)

Figure 2. 3. Overview of Transaction costs



Source: Petraki (2020)

Explicit transaction costs are a set amount paid to identifiable parties in order to complete a transaction. When these charges occur, they are immediately apparent and

indicate a direct drain from the fund's holdings. Commission and tax are two examples of such payments (ibid).

Transaction costs that are paid out in order to complete a transaction are not included in implicit transaction costs. Instead, they represent the value that is lost in the market infrastructure, and are therefore better described as friction. The common agreement is that there are three sorts of implicit costs, or three ways in which value may be lost during a transaction as a result of market friction: 1) "the bid-offer spread", 2) "market effect", and 3) "any delay in completing a transaction" or Delay Cost (Schroders, 2021).

Commission: Commission is the payment made to a third party, such as a broker, who performs the transaction. Typically, the commission will include other expenses, such as an exchange charge, which is the cost of purchasing or selling securities in a particular venue (ibid)

Tax: This payment is made to the local revenue or tax authority and is a literal transaction tax. For instance, there is a 0.5% Stamp Duty Reserve Tax when purchasing shares in a UK firm (ibid).

Bid/Offer spread: This is the gap between the price one is willing to pay to purchase a security and the price one is willing to get for selling the same security. (ibid).

Market impact: The market effect is more difficult to quantify than the spread. We'll use an economics example to help us grasp what it is. An order to purchase a security indicates that the security is in increased demand. If all other factors are equal, a larger demand will result in a higher price. As a result, placing a purchase order communicates more demand, and the price may have moved somewhat higher by the

time the transaction is fulfilled. It doesn't mean funds have disappeared. It means a little amount of value was lost since the trader paid more than before the agreement started. This works backwards when selling anything (ibid).

Delay costs: there are a few officially academic publications on this concept. Besides these component factors as above, Cost of delay or Delay cost is a component under implicit transaction costs (Schroders, 2021). By definitions, The Cost of delay can mean "the loss or deferment of a benefit/value" due to "the delay and/or incursion of some sort of penalty" (Leadingagile, n.d.). or Cost of delay (CoD) is "a key metric" in lean management that represents the "economic impact of a delay" in project delivery (Kanbanize, n.d.). Cost of Delay is a way of communicating the impact of time on the outcomes we hope to achieve (Blackswamfarming, n.d.). Formally speaking, it is the partial derivative of the total anticipated value in relation to time. Cost of Delay integrates urgency and value, two concepts that people are poor at differentiating. To make choices, we must comprehend not only the importance but also the value of anything.

Because of market effect, there are delays expenses. Larger orders induce more supply-demand imbalances, which impair liquidity and result in more price fluctuations in the "wrong" direction, as in our earlier example of paying a higher price due to a strong demand signal given to the market by a large order to purchase a security. This may be accomplished by breaking up a large transaction into smaller ones, with the hope that the aggregate effect of the tiny deals will be less than the single large trade (Shroders, 2021).

Accoding to Cordell el at., (2013), in actuality, the delay includes three types of expenses: property taxes, insurance, and extra depreciation. First, if the borrower is not making payments, the servicer must continue to pay taxes. These may be quite large.

Now that censorship has been accounted for using the survival model, we conclude our analysis by calculating direct time-related expenses as a percentage of the loan amount and comparing this to pre-crisis costs to determine the cost of delay. As previously stated, because the LPS database lacks loss data, we utilize the CoreLogic (CL) private-label MBS loan database, which is the only publicly accessible database with a substantial sample of loss data. While we do not think that severity rates from the CL data are typical of the overall market, we do feel that timeframe costs may be considered to be representative, as we explain below.

In a conventional endogenous price leadership model, Ivan and Pastine (2004) examined the consequences of discounting. We demonstrate that there will be sporadic changes in the identification of the leader, regardless of the cost of delay or discounting. By studying the incentives that motivate a company to assume the leadership position, we are able to anticipate which company will lead the majority of pricing adjustments. If businesses' response times are comparable, firms with shorter reaction times will be more likely to become price leaders, as would firms with lower cost of delay. A delay in the pricing announcement will undoubtedly lead to delayed and, therefore, reduced profitability for the company. When businesses suffer even a modest cost of delay in price announcements, pure-strategy Nash equilibrium cannot produce a leader–follower pattern.

According to Wesemann el at (1996), the 1994 Northridge earthquake destroyed buildings on four major Los Angeles roadways. The closure of these damaged roads affected traffic, commuter travel, and freight movement locally, regionally, and statewide. Initial studies estimated that the I-5, I-10, CA-14, and CA-118 route closures cost the local and state economy millions of dollars each day. In response, California created attractive contracts for early reopening of damaged roads. The quantifiable

(direct) transportation-related costs associated with travel disruption and delay on the four damaged roads in the Los Angeles basin exceeded $1.6 million per day, according to an additional research. The cost-of-delay estimates for each route were based on thorough counts, surveys, and travel time (delay) data acquired throughout the reconstruction stages, together with computer modelling and established costing techniques. Assigning travel demand to modified EMME/2-modelled highway networks reflecting the earthquake-damaged system simulated regional and system-wide shutdown impacts. When indirect expenses like trip cancellations, shipment interruptions, and job losses are included into the economic analysis, the California economy's transportation-related costs may be much higher.

2.2.2 Significance of Cost of Delay

Understanding the cost of delay gives a solid economic basis for determining which initiatives inside an organization should be prioritized. It is also an effective method for prioritizing the deployment (or not) of new product features, hence preventing scope creep (Playbook, n.d.). Transaction costs arise, as previously stated, since buying and selling stocks, or trading, is not frictionless. We interact on behalf of customers to minimize the value lost by optimizing the manner we trade since friction equals lost value. Simply put, it implies completing a deal as efficiently as feasible. The cost of trading (transaction costs) is one aspect considered when determining optimum execution, but it is not the only one. Best execution is a larger term that takes into account both the speed with which a deal is completed (due to the fact that time delays may cause friction) and the possibility that it is done at all (Schroders, 2021). Sometimes, it is advantageous to incur a somewhat high transaction cost in order to

assure a speedy deal. As essential as its price is the trade's urgency, this is a function of both market liquidity and anticipated price change. Therefore, "managing" is a better phrase than "minimizing" when referring to transaction costs and optimum execution. This is not something for which there is a particular formula. It is often a matter of judgment for the trader, who must keep an eye on market liquidity, the number of other market players who are eager to trade, if there are too many wanting to make the same deal, making it more difficult to locate a counterpart, etc. How well the trader manages all of this will be reflected in their capacity to execute deals in a timely way, at a decent price, and without incurring excessively high transaction costs. These factors might make comparing published transaction cost information challenging (ibid).

Chapter 3: Methodology and Data Analysis

3.1. Methodology

An exploratory case study is conducted to analyze how 'delay cost' or 'the cost of delay' affects Foreign Direct Investment (FDI) in Vietnam.

Survey target:

Factors affecting the number of FDI projects based on Provincial Competitiveness Index (PCI) analysis in Vietnam: The PCI is not just a ranking of the operating quality of provinces and cities; it is also a signal and effect to many provinces, to the city's rapid improvement, an effective channel of dialogue between rights and thousands of private businesses, the "heart" of businesses, and the symbol of the government system's request and listening. In the process of enhancing the PCI, strong models and best practices have considerable suggestive and widespread power. The province level is one of the most influential forces driving the development of Vietnam's business environment. Especially, domestic and international enterprises see the PCI as a crucial resource for selecting the local choice and initiating company operations. The PCI is comprised of ten sub-indices that aim to capture significant local business environment variables that are directly impacted by the actions and attitudes of provincial officials. The PCI ranks the provinces of Vietnam on a 100-point scale. It means that each component index is 10-point scale. The high point the province reaches in that component index, the better the business climate is or the better the governance on that aspect performs (VCCI&USAID, 2006). In this study, the following four component indices are selected because they are considered most directly related to the cost of delay; (1) Time costs, (2) Land Access and Tenure, (3) Entry Costs, and (4) Policy Bias.

Variable explanation:

***Time Cost:** A measure of how much time companies waste on bureaucratic compliance, as well as how often and how long companies have to shut down for inspection by local regulators. The lower the time cost are, the better the environment is. It means that the higher the score is, the better the local governance is. This component index is including sub-indices as follow:

Table 3. 1. Sub-Indices of Entry Cost Component Index

No	Contents	Units
1	Firms spent over 10% of time to comply with regulations.	(%)
2	Local government officials are effective.	(%)"
3	Local government officials are friendly.	(%)
4	Firms don't have to travel many trips to obtain stamps and signatures.	(%)
5	Paperwork is simple.	(%)
6	Fees are listed publically.	(%)
7	Time to do Aps is shorter than regulations specified.	(%)
8	Firms received 5+ inspections per year.	(%)
9	Overlap inspections.	(%)
10	Median tax inspection hours	(%)
11	Using inspection to extract rents	(%)

Source: VCCI & USAID (2020)

***Land Access and Tenure:** A metric that combines two elements of land concerns that entrepreneurs face: ease of access to the property and the security of title rights after the land is obtained, including sub-indices as follow:

Table 3. 2. Sub-Indices of Land Access and Security Tenure Component Index

No	Contents	Units
1	Lack of available land	(%)
2	Slow land clearance progress	(%)
3	Inadequate of land information	(%)
4	Compensation for land is fair	(%)
5	Changes in land prices reflect changes in market prices	(%)
6	No difficulties in land-related procedures in the last 2 years	(%)
7	Don't have LURCs because of complicated procedures & troublesome officials	(%)"

Source: VCCI & USAID (2020)

* **Entry cost** is used to measure how long a firm has to wait to register a business and to apply for a land-use right certificate, and how long it takes to receive all required permits to conduct a business, including the number of licenses, registrations, and required official approvals. Including sub-indices as follow:

Table 3. 3. Sub-Indices of Entry Cost Component Index

No	Contents	Units
1	Length of business registration in days	(Median)
2	Length of business re-registration in days	(Median)
3	Waiting >=1 month to start operations	(%)

No	Contents	Units
4	Waiting >=3 months to start operations	(%)
5	Firms registered online, PAC & Posts	(%)
6	Business (Re-)registration procedures are transparently listed	(%)
7	Business (Re-)registration procedures: Guidance is clear	(%)
8	Business (Re-)registration procedures: Officials are knowledgeable	(%)
9	Business (Re-)registration procedures: Officials are friendly	(%)
10	Business (Re-)registration procedures: Information and Technology application is good	(%)

Source: VCCI & USAID (2020)

*** Policy Bias** component index: Provinces have special privileges for economic groups; state corporations cause difficulties for businesses, including sub-indices as follow:

Table 3. 4. Sub-indices of Policy Bias component index

No	Contents	units
1	Province give privileges to SOEs causing difficulties to firm's business	(%)
2	Land access as a privilege to SOEs	(%)
3	Credit access as a privilege to SOEs	(%)"
4	Mineral exploitation license as a privilege to SOEs	(%)
5	Faster and simpler administrative procedures as a privilege to SOEs	(%)
6	Ease in getting local government's contracts as a privilege to SOEs	(%)
7	Land access as a privilege to FIEs	(%)

No	Contents	units
8	Province give priority in solving difficulties to FIEs over domestic one	(%)
9	Province give priority to FDI attraction than private sector development	(%)
10	CIT reduction/holidays as a privilege to FIEs	(%)
11	Faster and simpler administrative procedures as a privilege to FIEs	(%)
12	More local government support during FIEs operation	(%)
13	Contracts and resources go to connected firms	(%)
14	Preferential treatment to big companies is an obstacle to firm's operations	(%)

Source: VCCI & USAID (2020)

Number of Samples: 63 provinces in Vietnam.

Sampling method: Component indexes in PCI index of 63 provinces in Vietnam collected from the report of the Vietnam Chamber of Commerce and Industry (VCCI) collected from 2015 to 2020.

Scale: Likert scale 10, index evaluation has its own rules, classified by positive and negative ratios. The specific assessment of each scale is presented in the literature review section.

To answer the third research question "***What are the existing trends or relationships between Delay cost and FDI?",*** The author develops a model to determine the variables that influence the annual number of FDI projects in each province. These variables indicate Delay Costs, and they include Entry Cost, Land Access and Tenure, Time Cost, and Policy Bias. The data set provided below in table

3.5 contains the group variables in column 1 **(VARIABLES)** with sub-categories in column 2 **(SIGN)** and brief definitions of each sub-category is provided in column 4 **(INDICATORS).** This question will be reviewed and answered in the following output tables. As given below, there are five (5) variables to be computed using the SPSS statistical software.

Author uses the Linear model to determine the relationship between variables, shown in the below:

***Function*:**

$$\text{Aver}_{\text{FDIprojects}} = \beta_0 + \beta_1 \text{Aver}_{\text{Entrycost}} + \beta_2 Aver_{LandaccessTenure} + \beta_3 Aver_{Timecost} + \beta_4 Aver_{Policybias} + \varepsilon$$

***Meaning of variables used*:**

$\text{Aver}_{\text{FDIprojects}}$: A dependent variable, represents the average FDI project number

$\text{Aver}_{\text{Entrycost}}$: An independent variable, represents the average score of entry costs

$Aver_{LandaccessTenure}$: An independent variable, represents average score of land access and tenure

$Aver_{Timecost}$: An independent variable, represents Average score of time costs

$Aver_{Policybias}$: An independent variable, represents Average score of policy bias

β_0: Intercept

$\beta_1, \beta_2, \beta_3, \beta_4$: Coefficients for the dependent variables, accordingly.

ε: Statistical error. It accounts for the failure of the function to fit the data exactly

Table 3. 5. Variable Explanation

VARIABLE	SIGN	DATA TYPE	INDICATORS
Score Entry Cost each year	Entrycost2015	Ordinal	*This index evaluates the difference of entry costs of newly established enterprises between provinces in 2015.*
	Entrycost2016	Ordinal	*This index evaluates the difference of entry costs of newly established enterprises between provinces in 2016.*
	Entrycost2017	Ordinal	*This index evaluates the difference of entry costs of newly established enterprises between provinces in 2017.*
	Entrycost2018	Ordinal	*This index evaluates the difference of entry costs of newly established enterprises between provinces in 2018.*
	Entrycost2019	Ordinal	*This index evaluates the difference of entry costs of newly established enterprises between provinces in 2019.*
	Entrycost2020	Ordinal	*This index evaluates the difference of entry costs of newly established enterprises between provinces in 2020.*
Average Score_Entry Cost	Aver-Entrycost	Scale	*This index measures the average difference of entry costs of newly established enterprises between provinces from 2015-2020. This average is included in the model.*
Score Land Access & Tenure each year	LandAccess2015	Ordinal	*Measures related to two aspects of the land issues encountered by companies: convenient access to land and companies feel secure and assured of stability when acquiring commercial place in 2015.*
	LandAccess2016	Ordinal	*Measures related to two aspects of the land issues encountered by companies: convenient access to land and companies feel secure and assured of stability when acquiring commercial place in 2016.*
	LandAccess2017	Ordinal	*Measures related to two aspects of the land issues encountered by companies: convenient access to land and companies feel secure and assured of stability when acquiring commercial place in 2017.*
	LandAccess2018	Ordinal	*Measures related to two aspects of the land issues encountered by companies: convenient access to land and companies feel secure and assured of stability when acquiring commercial place in 2018.*
	LandAccess2019	Ordinal	*Measures related to two aspects of the land issues encountered by companies: convenient access to land and companies feel secure and assured of stability when acquiring commercial place in 2019.*

VARIABLE	SIGN	DATA TYPE	INDICATORS
	LandAccess2020	Ordinal	*Measures related to two aspects of the land issues encountered by companies: convenient access to land and companies feel secure and assured of stability when acquiring commercial place in 2020.*
Average_ Score Land Access Tenure	Aver_LandAccess	Scale	*Measures related to two aspects of the land issues encountered by companies: convenient access to land and companies feel secure and assured of stability when acquiring commercial place in, average score from 2015-2020.*
Score Time Cost each year	Timecost2015	Ordinal	*In 2015, measure the time efficiency of a company must spend on administrative procedures and the time it must interrupt operations so that local government department can conduct an inspection.*
	Timecost2016	Ordinal	*In 2016, measure the time efficiency of a company must spend on administrative procedures and the time it must interrupt operations so that local government department can conduct an inspection.*
	Timecost2017	Ordinal	*In 2017, measure the time efficiency of a company must spend on administrative procedures and the time it must interrupt operations so that local government department can conduct an inspection.*
	Timecost2018	Ordinal	*In 2018, measure the time efficiency of a company must spend on administrative procedures and the time it must interrupt operations so that local government department can conduct an inspection.*
	Timecost2019	Ordinal	*In 2019, measure the time efficiency of a company must spend on administrative procedures and the time it must interrupt operations so that local government department can conduct an inspection.*
	Timecost2020	Ordinal	*In 2020, measure the time efficiency of a company must spend on administrative procedures and the time it must interrupt operations so that local government department can conduct an inspection.*
Average_ Score Time Cost	Aver_TimeCost	Scale	*Measure time efficiency of a company must spend on administrative procedures and the time it must interrupt operations so that local government department can conduct an inspection. Average score from 2015-2020.*
Score Policy Bias each year	PolicyBias2015	Ordinal	*Measure the accessibility of provincial plans and legal documents required for business operations in 2015.*
	PolicyBias2016	Ordinal	*Measure the accessibility of provincial plans and legal documents required for business operations in 2016*

VARIABLE	SIGN	DATA TYPE	INDICATORS
	PolicyBias2017	Ordinal	*Measure the accessibility of provincial plans and legal documents required for business operations in 2017.*
	PolicyBias2018	Ordinal	*Measure the accessibility of provincial plans and legal documents required for business operations in 2018*
	PolicyBias2019	Ordinal	*Measure the accessibility of provincial plans and legal documents required for business operations in 2019.*
	PolicyBias2020	Ordinal	*Measure the accessibility of provincial plans and legal documents required for business operations in 2020.*
Average_ Score Policy Bias	Aver_PolicyBias	Scale	*Measure the accessibility of provincial plans and legal documents required for business operations. Average score from 2015-2020.*
FDI Projects each year	FDI Projects2015	Ordinal	*Number of FDI projects of provinces in 2015*
	FDIProjects2016	Ordinal	*Number of FDI projects of provinces in 2016*
	FDIProjects2017	Ordinal	*Number of FDI projects of provinces in 2017*
	FDIprojects2018	Ordinal	*Number of FDI projects of provinces in 2018*
	FDIprojects2019	Ordinal	*Number of FDI projects of provinces in 2019*
	FDIprojects2020	Ordinal	*Number of FDI projects of provinces in 2020*
Average_ FDI Projects	Aver_Project	Scale	*Average FDI projects of each province from 2015 to 2020.*

3.2. Data Analysis

Before conducting model regression, the author tested statistical description statistics to check the correlation between independent variables and dependent variables, thereby having a basis to establish the model.

3.2.1. Descriptive statistics

As can be seen in Table 3.6, Score Average Policy Bias is rated with the lowest average score of 5.6, while Score Average Entry cost is ranked with the highest average score of 7.86. Minimum of Average Entry cost is highest (7.42) and Minimum of Average Policy Bias is lowest (4.40). Maximum of Average Time Cost is highest (8.79) while Maximum of Average of Land Access is lowest (7.4). Standard deviation of Average Entry cost is lowest (0.26) means that there is a low degree of dispersion between years. While the Standard deviation of Average Time Cost is highest (0.67) between years has a high degree of difference in evaluation.

Table 3. 6. Distribution of variables used in the analysis.

	N	Minimum	Maximum	Mean	Std. Deviation
Average Entry Cost	63	7.42	8.59	7.8635	.26224
Average Land Access	63	5.04	7.40	6.3463	.45650
Average Time Cost	63	5.31	8.79	6.8625	.67155
Average Policy Bias	63	4.40	7.07	5.6586	.54640
Average Projects	63	.70	7777.80	414.6460	1210.61220
Valid N (listwise)	63				

Source: Author's calculation

3.2.2. Correlation Analysis

Hypothesis 1: Analyse the relationship between Entry cost, Land Access, Time cost, Policy Bias, and FDI projects.

From table 3.7. shows correlation between variables as follows:

Firstly, the results in line sig. (2-tailed) of average Projects are statistically significant means that Entry cost (0.035), Land Access (0.039), Time Cost (0.049), Policy Bias (0.046) have the relationship with FDI projects (see table 3.7), where as:

– Average Entry cost has the strongest correlation with the FDI projects with r=/-0.266/*

– Average Policy Bias has the second strong relationship with FDI projects with r=/-0.242/*

Secondly, there is a correlation relationship between Entry cost, Land Access, Time Cost, Policy Bias, and FDI projects.

Thirdly, the author has reasonable testimony to continue with regression analysis.

Moreover, look at the pink color in table 3.7. The sig. (2-tailed) Average Policy Bias and Average Time cost has 0.001< 0.05. Average Time cost and Land Access has 0.000< 0.05. Hence, there is auto-correlation between two independent variables (Policy bias, Land access) and Time cost.

Table 3. 7. Correlation

		Average Entry Cost	Average Land Access	Average Time Cost	Average Policy Bias	Average Projects
Average Entry Cost	Pearson Correlation	1	.121	.152	.092	-.266*
	Sig. (2-tailed)		.347	.235	.474	.035
	N	63	63	63	63	63

		Average Entry Cost	Average Land Access	Average Time Cost	Average Policy Bias	Average Projects
Average Land Access	Pearson Correlation	.121	1	.742**	.524**	-.111
	Sig. (2-tailed)	.347		.000	.000	.039
	N	63	63	63	63	63
Average Time Cost	Pearson Correlation	.152	.742**	1	.404**	.066
	Sig. (2-tailed)	.235	.000		.001	.049
	N	63	63	63	63	63
Average Policy Bias	Pearson Correlation	.092	.524**	.404**	1	-.242*
	Sig. (2-tailed)	.474	.000	.001		.046
	N	63	63	63	63	63
Average Projects	Pearson Correlation	-.266*	-.111	.066	-.242	1
	Sig. (2-tailed)	.035	.039	.049	.046	
	N	63	63	63	63	63

*. Correlation is significant at the 0.05 level (2-tailed).

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

Source: Author's calculation

3.2.3 Regression Analysis

Hypothesis 2: Entry cost, Land Access, Time Cost, Policy Bias have the influence on FDI projects

From the model/function identified in Section 3.1, we could receive its results as follows:

Result in proportion of variance in the function.

Table 3.8 shows the results proportion of variance in the model or function, especially to the dependent variable - "R Square". It reflects the level of explanation of independent variables towards the dependent variables (see table 3.8). The result shows that the four independent variables (Average Policy Bias, Average Entry Cost, Average Time Cost, and Average Land Access) can explain for 23.55 percent of the change in the dependent variable (FDI projects), the other explanation for this is upon outside variables and error term.

Table 3. 8. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.436[a]	0.290	0.235	1439.859	.436[a]
a. Predictors: (Constant), Average Policy Bias, Average Entry Cost, Average Time Cost, Average Land Access					
b. Dependent Variable: Average_ FDI Projects					

Source: Author's calculation

Results in levels of variability within regression function.

Table 3.9 shows the levels of variability within regression function, including from the bias for tests of significance. It let us know that there is no bias for the test at 95% confidence level (F-stats = 3.410, degree of freedom= 4, and p-value = 0.014 < 0.05).

Table 3. 9. Anova results

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	28280122.937	4	7070030.734	3.410	.014[b]
	Residual	120245262.047	58	2073194.173		
	Total	148525384.984	62			

a. Dependent Variable: Average_ FDI Projects.

b. Predictors: (Constant), Average Policy Bias, Average Entry Cost, Average Time Cost, Average Land Access.

Source: Author's calculation

Results of the regression function:

Look at the table 3.10, Sig. of the t-test for each independent variables include: p (Aver_ Entry cost) = 0.023 < 0.05 means that Entry Cost variable are statistically significant with 95% confidence; p (Aver_ Land Access) = 0.199 > 0.05 means that Land Access variable are insignificant with 95% confidence; p (Aver_ Time Cost) = 0.031 < 0.05 means that Time Cost variable are significant with 95% confidence; p (Aver_ Policy Bias) = 0.071 > 0.05 means that Policy Bias variable are insignificant with 95% confidence.

Standardized Coefficients Beta: Looking at unstandardized Coefficients, They shows that all three independent variables (Aver_Entry Cost, Aver_Land Access, and Aver_Policy Bias) have negative influence on FDI projects and Aver_ Time cost variable have positive impact. As can be seen in the table Coefficients, Aver_Entry Cost ($\beta 1 = -0.281$, $p = 0.023 < .05$) has negative impact. It means that if Entry Cost increase one unit, the FDI projects decrease 0.281 unit (projects). While Aver_ Time Cost ($\beta_3 = 0.396$, $p = 0.031 < .05$) seems to have positive influence on FDI projects. It means that if increasing time cost are fast and effective with one unit (%) then FDI project also

increase 0.396 unit (projects) Aver-Land Access variable and Aver_ Policy Bias have p > 0.05 (with p = 0.199 and 0.071 respectively); Two variables are moved from the model.

VIF: According to the theories, variables with VIF < 10 and VIF < 2 for questionnaires using Likert scale means that there is no problem with multicollinearity. In this case, Aver_ Entry Cost, Aver_ Land Access, Aver_ Time Cost, Aver_ Policy Bias has VIF: 1.031; 2.611; 2.307; 1.381 respectively, which is slightly greater than 2, means that it might have a slight multicollinearity but it is still acceptable. (Increasing the number of samples might be a solution).

Table 3. 10. Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	16376.153	5840.097		2.804			
	Aver_Entry Cost	-1652.158	706.666	-0.281	-2.338	0.023	.970	1.031
	Aver_Land Access	-841.485	647.216	-0.248	-1.300	0.199	.383	2.611
	Aver_Time Cost	952.049	431.264	0.396	2.208	0.031	.433	2.307
	Aver_Policy Bias	-719.196	392.977	-0.254	-1.830	0.072	.724	1.381
a. Dependent Variable: FDI_ Project								

Source: Author's calculation

From the designed function, the author can develop the linear function (Standardized Coefficients Beta) as follows:

$$Aver_{FDIprojects} = 16376.153 + (-0.281) * Aver_{Entrycost} + 0.396 * Aver_{Timecost} + \varepsilon$$

According to the multi-regression analysis, the model is explained with R Square of 23.5% with a statistical significance of more than 95%, The model's

explanatory is not high since the number of FDI projects is driven not only by Delay cost but also by other factors.

Looking at standardized Coefficients, two independent variables (Entry cost, Time cost) has influence on the number of FDI projects. It seems that Entry cost (β = -0.281, $p < .05$) has a negative influence on FDI projects, while Time cost (β = 0.396, $p < .05$) have positive influence on the number of FDI projects; and there is no problem with multicollinearity found as VIF <10.

In summary, the results from multiple regression analysis show that the Delay Cost which consists of Entry Cost and Time Cost, affect the number of FDI projects in Vietnam. Firstly, the Entry Cost may have negative impact on the foreign investment while in the reality, the score of Entry Cost should be improved so that Government can enhance the ability to attract FDI projects and the correlation between the factors (the score of Entry Cost and Number of FDI project) may be positively correlated. However, it is too early to conclude the correlation only from this regression model due to the fitness of the regression is not so high. Moreover, the relationship between two variables can also change over time and may have periods of positive correlation as well (Hayes, 2021). Secondly, the results showed that Time Cost, which is directly related to the delay cost, have a positive impact on FDI. It means that the more government ability of management in Vietnam do well on the Time cost and its elements, the more FDI projects will be attracted through PCI indexes. Therefore, shorten the delaying time are important to increase the number of FDI projects; to do this, the score of Time Cost is needed to be improved. Thirdly, Policy Bias factor and Land & Access factor are not so significant affection to the number of FDI projects, although these two factors are possibly autocorrelated with Time cost. In this regression, the land access and geographic constraints are not always crucial to the FDI attraction. Regarding to Policy

Bias, this component index may be not significant due to a lot of incentive policies for the foreign investors, according to Vietnamese Investment Law. There is no specific incentive policy or law benefits to Stated-Owned Enterprises or Vietnamese private companies, except for the foreign investors. Regarding to Land Access and Security Tenure, this index seems to be mentioned as a factor shows the level of business in facing ease of access to the property and the security of land title on the rights of the land. It is easily explained that the foreign investors are more concerned about the Land Access in term of geography constraints than the level of agreement of investors.

Chapter 4: Conclusion and Recommendation

4.1. Conclusion

From the research, the author can conclude *"how the Delay Cost affects the FDI in Vietnam*" as following section 4.1.1 reasons to invest abroad and section 4.1.2 related to answer how important is the Delay Cost in the decision-making process for FDI? Lastly section 4.1.3, the author gives findings on Delay Cost and FDI attraction in Vietnam.

4.1.1. Reasons to invest abroad.

From the review of literatures, foreign investors decided to invest in foreign countries under the direct investment – FDI because of variety reasons, including political stability. The investors found that there are more opportunities as a favorable investment environment such as market diversity, granting of tax incentives, preferential tariffs, and lower labor costs. At the same time, FDI provides the direct benefits to the host countries in terms of inflow foreign capital. It also encourages local businesses to improve their company management by adopting new technology, enhancing efficiency, and reducing costs due to foreign competition. This mean, the customers will have more options or choices for commodities.

4.1.2. How important is the Delay Cost in decision-making process for FDI?

Delay Cost makes it possible to grasp and quantify the impact of delay on outcomes. In other words, it provides a straightforward method for calculating how much time is required to build a new feature, including any time spent in a backlog. And it estimates this by taking both worth and urgency into account. Cost of Delay ultimately improves

and simplifies decision-making. The cost of delay may give economic insight into the topic of whether a product feature should be added before launch. With corporate pressure to add new features, the cost of delay may provide a clear image of the economic effect of delaying launch to add a feature. Obviously, there are more factors that may influence the prioritization of one project over another or the selection of a feature over going live, but knowing the economic effect is a crucial piece of the jigsaw. In short, reducing delay costs creates better business environment for foreign investors to captivate more FDI projects.

4.1.3. Delay Cost and FDI attraction in Vietnam.

One of the main contributions by this research is to find that while the indices of ‘land access’ and ‘policy bias’ are not so statistically significant for the number of FDI projects, the indices of ‘entry cost’ and ‘time cost’ are statistically significant. The impact of Delay Cost on the number of FDI projects in Vietnam is minimal. On the other hand, the Delay Cost will contribute greatly to the long-term growth of foreign investors' options. In the competition to attract FDI, the 'delay' process (high transaction cost of producing delay) is significantly more crucial to FDI attractiveness in sustainable development.

It is too early to conclude the impact of the Delay Cost on the number of FDI projects only from the regression in this study because the fitness of the regression is not so high. However, the result of the regression suggests that the index of ‘time cost’ which is directly reflected in the associated transaction cost incurred in the interim and ex-post monitoring process is likely to create the most significant impact on the investors’ decision-making into Vietnam. Besides, the results show that the Entry and Time costs have an impact on FDI initiatives and some additional aspects that impact to

FDI projects in Vietnam such as transparency, informal charges, proactivity, business support services, labor training, and law and order.

The components of 'time cost' are largely connected to the monitoring by bureaucrats or government personnel. The PCI is intended to evaluate the ease of doing business, economic governance, and the effectiveness of administrative reform initiatives by the 63 provinces and municipalities of Vietnam (VCCI & USAID, 2020). This shows that the quality of bureaucrats might be related to not only policy (bias), but also other component indexes. As a result, there is some autocorrelation between the variables of time cost and policy bias and all the factors in PCI as well. It may be concluded that the quality of bureaucrats can be immensely affected to FDI attractiveness as well.

Moreover, one of the interesting findings is the variable of 'land access' is not so significant. This is easy to understand in this study due to the meaning of “Land access & Security Tenure” index here. This index mentions the level of agreement of entrepreneurs in facing with ease of access to the property and the security of title rights after the land is obtained. The index is not mentioned as land access level in geographic constraints.

Therefore, the Delay Cost has a slightly effect on the number of FDI projects in Vietnam. Also, the Delay Cost will significantly contribute to the long-term development of foreign investors' choices in a long run basis.

4.2. Recommendation

To answer the question “How to apply the trends or relationships to understand and explain the effects of delay cost in attracting FDI to Vietnam”, there are other factors

that influence FDI projects, including as transparency, informal charges, proactivity, business' support services, labor training, and law and order, in addition to the four mentioned above. Entry and Time Costs have an influence on FDI endeavors. But only Time costs have positive impact in attracting FDI projects over years. Addtionally, in the trend of the Delay Cost survey factors: Entry cost, Time cost, Policy bias, and Land Access, Entry cost has the greatest effect on FDI projects, while Land & Access has the least influence. Therefore, the recommendations for government are that the order of priority in these component indexes in implementation should follow this order: Entry Cost, Time cost, Policy Bias, and Land Access and Security Tenure, according to the level of effects of its effect to the numbers of FDI projects. Additionally, Time cost occurs as interim and monitoring progress, it should lead the the priority's order in the decision making. It means that the score of Time cost in the PCI should be prioritized to be enhanced first, and then the others. As a direct consequence of this, the primary concern in Vietnamese governance may be centered on the aspects of Time Cost.

According to the findings, the government of Vietnam should give priority to measures that cut delay costs by improving Time Cost and its obstructions (from the sub-indices) in the following ways:

– Seriously reducing the number of inspections of all agencies, including tax inspections; doing inspections according to the inspection plans and orientations that have been approved; limiting the scope of the state management that is the subject of the inspection; doing proactive inspection, evaluation, and plan adjustments as needed without increasing the number of inspections; The deadline for publishing the results of an inspection must be met.

– Actively reviewing, changing, and finishing the legal provisions for the implementation of the one-stop service; improving the deployment of solutions to link

and exchange data from the National Database on Population and Company Registration with the National Public Service Portal;

– Encouraging the study, evaluation, and improvement of the use of information technology and digital technology to reduce and simplify administrative processes, business conditions under its supervision, and administrative compliance costs.

– Publishing lists of business-related fees on one-stop-service and at the front desk; promptly updating lists of fees that have changed.

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