International Journal of Current Science Research and Review
ISSN: 2581-8341
Volume 05 Issue 02 February 2022
DOI: 10.47191/ijcsrr/V5-i2-18, Impact Factor: 5.825
IJCSRR @ 2022
www.ijcsrr.org

Factors Affecting Investment Decisions of EU Investors in Vietnam

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ABSTRACT: EU investors were present in 18 out of 21 important economic sectors, focusing on manufacturing and processing industry 36.3%, refining and petrochemical 11%, textiles and garments 6.94%, electronics 6.4%, food processing 5.6%, cars and means of transport 5.2%; production and distribution of electricity and gas 20.7%, real estate 11%, information and communication 6.6% (GSO, 2020); contributed significantly to Vietnam's economic growth. On the basis of that, attracting FDI is a subjective activity of the investee, that is, the investee will perform activities affecting the factors of the investee to increase the attractiveness of the investor. foreign investor. Thus, in order to effectively attract FDI from EU investors into Vietnam associated with the characteristics of each investor, it is necessary to assess the degree of influence of factors on FDI attraction, which is also the factors affecting the decision of EU investors. This study uses an exploratory factor analysis (EFA) model to analyze the factors affecting the investment decisions of EU investors in Vietnam, thereby proposing solutions to enhance the attractiveness of EU investors effective FDI from the EU into Vietnam in the coming time.

KEYWORDS: EU, EFA, Foreign Direct Investment (FDI), Investors, Vietnam

INTRODUCTION

This study used the exploratory multiplier analysis (EFA) model to analyze the factors affecting the EU's FDI attraction to Vietnam through a regression model with the dependent variable being "The decision of investment from the EU" and 10 independent variables are 10 groups of factors converging from many observations, which are: (i) Strategic objectives of investors; (ii) Investor's capacity; (iii) Regional economic linkages; (iv) Trade agreements between the investing country and the recipient country; (v) The economic - political - social stability of Vietnam; (vi) Infrastructure of Vietnam; (vii) Investment promotion policy; (viii) Purchasing power of the domestic market; (ix) Investment promotion activities; and (x) Development of supporting industries in Vietnam. From there, draw conclusions about the influence of the groups of factors as well as the influence of the observed variables on the dependent variable, serving as a basis for policy recommendations for the Government of Vietnam and solutions to attract attention.

RESEARCH MODEL AND METHODOLOGY

Several data are needed to support the analysis of this research, such as primary and secondary data. For primary data, interviews and questionnaires are done to get some information. At the same time, the secondary data is obtained by observing the feedback from customers through travel applications, news, journal, Etc. The author collected data on FDI in Vietnam from the General Statistics Office (GSO) and the Foreign Investment Agency, Ministry of Planning and Investment of Vietnam in the period of 2010- 2021. In addition, the author also referenced the data of some scientific works published to serve the research process. The primary data source is collected by surveying EU foreign-invested enterprises that are investing in Vietnam by submitting a questionnaire. factors affecting the investment decisions of these enterprises. Out of a total of 1000 survey questionnaires that the research team sent online to EU foreign-invested enterprises investing in Vietnam, the research team received 686 valid responses. The sample size obtained was 686- meeting the sample size requirement. According to some experts, the number of observations (sample size) must be at least 4 to 5 times higher than the number of variables in the factor, the number of variables included in the EFA model of 34 variables, at least 136 to 170 observed, so the sample size of 686 responds well. Information about scale selection: Observations are put into the questionnaire on a 5-point Likert scale, in which, "1" is "strongly disagree"; "2" means "disagree", "3" means "no opinion", "4" means "agree" and "5" means "strongly agree". The proposed research model includes 10 factors and uses the Likert scale to consider the rating level.

When considering the factors affecting foreign direct investment decisions, there can be many different theories. By reviewing theories of international investment, the author uses Dunning's OLI theory because: (i) Starting from the research scope of the thesis, from the perspective of the host country to attract investment. FDI, so the study of influencing factors should be considered from the

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investee. Therefore, IDP theory (usually applied to study OFDI rather than IFDI, ie from the perspective of investors) or ownership theory, internalization theory (only considers factors of investors) investment) is incomplete and (ii) in fact, Dunning's OLI model is the most popular analysis tool on the determinants of FDI because this model is synthesized from different theories, so it is more general than other theories and can explain all forms of FDI and is associated with all economic sectors. The OLI model is suitable for the study of FDI movement because the model solves all three questions: Why is FDI implemented, in what form and where to implement FDI. These are the most basic questions when researching investments. At the same time, the OLI model has shown all the factors related to the investment, production and business environment; factors related to inputs and outputs of production and business.

To study the factors affecting the EU's investment decision in Vietnam, the author will analyze through the factors affecting the "Investment decision" of EU investors in Vietnam according to the model the following figure 1.

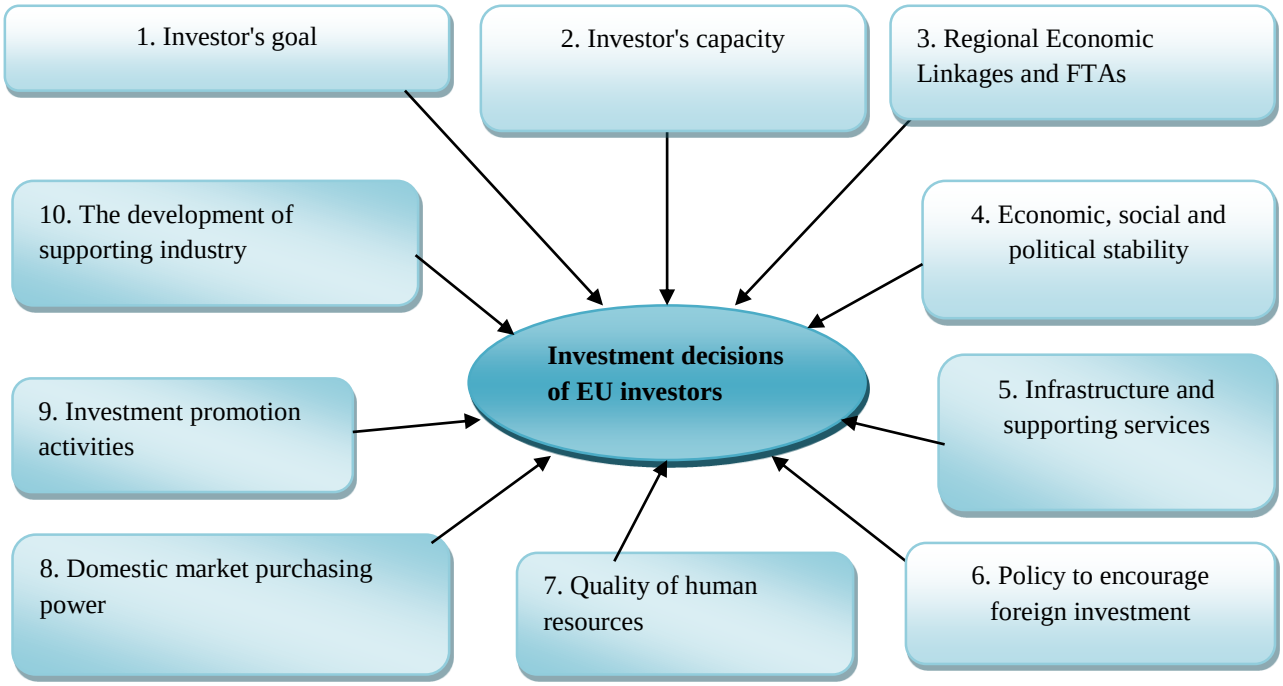

Figure 1: Evaluation model of factors affecting the "investment decision" of EU investors in Vietnam

Thus, the dependent variable of the selected model is "investment decision" and the independent variable includes the following variables: (1) strategic objectives of the investor, (2) capacity of the investor, ((3) Regional economic linkages and trade agreements between the host country and the host country, (4) Socio-political and economic stability, (5) Infrastructure and facilities supporting services, (6) Investment promotion policies of the host country, (7) Quality of human resources, (8) Purchasing power of the domestic market, (9) Promotion activities, (10) The development of supporting industries in the host country. In which, the dependent variable is measured by 3 observations: (i) Investing capital if you have not invested in Vietnam yet; (ii) Continue to maintain investment activities in Vietnam; (iii) Increase capital to expand production and business investment in Vietnam.

Choosing the dependent variable as an "investment decision" is based on the point of view: When investors are well aware of the advantage of ownership, the advantage of internalization and especially the advantage of location, it will motivate investors to make capital investment. The manifestation of this behavior is the number and value of transaction contracts or investment decisions that appear at a location. Therefore, when studying factors affecting FDI: (i) If based on time series data, panel data, studies (Ksenia, G. Philip, M. 2013), "Natural resource or market" seeking FDI in Russia? An empirical study of locational factors affectiong the regional distribution of FDI entries", IWH discussion paper Wang, M., & Wong, M.C.S. (2009), "What drives economic growth? The case of cross – border M&A and Greenfield activities", Kyklos often chooses the dependent variable as the number of projects or the value of registered or implemented FDI capital; (ii) If based on survey data from investors and investment enterprises, these studies choose the dependent variable which is the level of attraction, investment decisions of foreign investors and observe the This decision is

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performed on a Likert scale with a value from 1 to 5. Therefore, the dependent variable selected as "investment decision" is appropriate.

The number of questions that can be included in the EFA model is 34 measurement variables belonging to the 10 groups of factors above that have been coded and entered into SPSS ver 22 software for analysis (corresponding to 34 survey questions).

REASEARCH RESULT AND DISCUSSIONS

The steps proceed through the following 3 steps:

Step 1: Check the conditions to perform EFA

Step 2: Extract factors (Rotate the first factor matrix)

Step 3: Analyze the results of factor extraction (The numbers are shown in the rotated matrix table, called factor weight or factor loading).

Naming and interpreting factors: In the results that appear in step 3, 10 factors are drawn and all variables have Factor loading greater than 0.38.

Named as follows: (i) The first factor, including 04 observed variables (DC1; DC2; DC3; DC4), named this factor as “Investor motivation”; (ii) The second factor, including 04 observed variables (NLDT1, NLDT2, NLDT3, NLDT4), named this factor as “Investor capacity”; (iii) The third factor, including 05 observed variables (LKKV+FTA1, LKKV+FTA2, KKKV+FTA3, KKKV+FTA4, KKKV+FTA5), named “Regional economic linkages and trade agreements” trade between the investing country and the host country”; (iv) The fourth factor, including 02 observed variables (ONDKT1, ONDKT2), named "Economic stability"; (v) The fifth factor, including 04 observed variables (CSHT1, CSHT2, CSHT3, CSHT4), named “Infrastructure and supporting services”; (vi) The sixth factor, including 06 observed variables (CSKK1, CSKK2, CSKK3, CSKK4, CSKK5, CSKK6), named "Investment promotion policy of the host country"; (vii) The seventh factor, consisting of 02 observed variables (CLNNL1, QLNL2), named this factor as “Quality of human resources”; (viii) The eighth factor, including 02 observed variables (SMTT1, SMTT2), named “Market purchasing power”; (ix) The ninth factor, including 02 observed variables (XTDT1, XTDT2), named "investment promotion", (x) The tenth factor, including 03 observed variables (CNHT1, CNHT2, CNHT3), named “The development of supporting industries in the host country”.

The data were processed by SPSS 22.0 software and analyzed by descriptive and analytical methods. The Likert scale is designed with 5 points to measure the level of participation of FDI enterprises and is tested for reliability by the Cronbach Alpha coefficient. The scales are evaluated through the main tool which is the Cronbach Alpha coefficient. Cronbach Alpha coefficient is used to eliminate garbage variables (variables with total correlation coefficient less than 0.3). According to Nunnally and Brunstein (1994), the criteria for choosing a scale when the Cronbach Alpha reliability is >0.6 can be used in case the concept of the scale is new or new to the respondents in the context of the survey. research scene. Within the scope of this research, the respondents are EU enterprises investing in Vietnam, with a questionnaire in the form of a Likert scale designed with 5 different rating levels. The method of EFA is used to determine the factors affecting the foreign investment decision of EU investors: i) The number of measured variables in 10 groups of factors are from 2 variables, should satisfy the requirements of Stevens (2002); ii) The sample number is 686, which also meets the minimum requirement of 50 observations according to Hair et al (2009). Moreover, the sample number 686 also satisfied the criteria set forth by Hoang Trong and Chu Nguyen Mong Ngoc (2008) (we have 33 variables, 33 * 10 = 330 observations < 686 observations); iii) Bartlett and KMO tests give the results in Table 1.

Table 1: The Results of KMO and Bartlett Test

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.792
Bartlett's Test of Sphericity	Approx. Chi-Square	11064.979
	df	595
	Sig.	.000

Source: from data exported from SPSS 22.0 software

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Exploratory factor analysis method EFA was used to test the scale, 34 observed variables were designed in the study. The study used exploratory factor analysis method EFA to confirm the appropriateness of the scale. scale with 34 observed variables. The KMO (Kaiser-Meyer-Olkin Measure of Simping Adequacy) index is used to analyze the suitability of the factors, the KMO value is greater than 0.5, the new factors are used. Theo Hair et al. (1998), factor loading (numbers in the table Rotated Component Matrix – Factor loading) greater than 0.3 is considered minimal, greater than 0.4 is considered important, greater than 0.5 is considered to be of practical significance. Factor loading factor is greater than 0.3 if the sample size is at least 350, if the sample size is about 100, then choose the factor loading criterion greater than 0.5 and if the sample size is about 50, then choose the factor loading criterion greater than 0.75. In the scope of this study, the sample size is 686, so the factor loading in the Rotated Component Matrix table is accepted at 0.3 for the variables.

Exploratory factor analysis (EFA) with 10 components of the scale. When designing a scale of factors affecting investment decisions of EU investors in Vietnam, the hypothesis H0 posed in this analysis is that among 34 observed variables there is no correlation with each other. We see KMO = 0.792 > 0.50, satisfying the requirements to perform EFA. Furthermore, according to Kaiser (1974), if KMO >0.70: OK, which according to this result, KMO = 0.792 > 0.7 should model good for EFA implementation. Simultaneously Sig. = 0.000 < 0.05, we can reject the hypothesis H0 (correlation matrix is a unit matrix), which means that the variables are related, so we can perform EFA. The extracted variance value is 66.95%, this result shows that the 10 components are determined to be explained by 66.95% of the variation of the data. From the above test results, the study draws the conclusion that the accepted scale and the observed variables in the 10 components are correlated with each other in the total survey sample. From the EFA results, the study comes to the conclusion that the scale is acceptable. Thus, with results i), ii) and iii), this data is suitable for performing EFA.

Extract factors: According to Hair & ctg (2009, 116), Multivariate Data Analysis, Prentice-Hall International, Inc., factor loading is an indicator to ensure the practical significance of EFA: if 0.3 <=Factor loading <= 0.4 is considered to be passed be minimal, if factor loading >= 0.5 is considered to be of practical significance.

Table 2: Rotated Component Matrix results

Rotated Component Matrix[a]

	Component							
	1	2	3	4	5	6	7	8
ONDKT1	.900							
CSHT3	.871							
CSHT1	.587							
LKKV4FTA3	.576							
CSKK3	.546							
XTDT1		.652						
ONDKT2		.646						
LKKV4FTA2		.628						
LKKV4FTA1		.552						
DC2		.547						
CLNNL1			.755					
CLNNL2			.675					
SMTT2			.575					
NLDT4			.564					
XTDT2			.531					
SMTT1			.479					
CSHT4				.713				
LKKV4FTA4				.605				
CSHT2				.601				
DC3				.506				
DC4								
CSKK1					.891			
CSKK2					.864			
CSKK5					.454			
CSKK4					.423			
CNHT3						.828		
CNHT1						.594		
NLDT3							.810	
NLDT2							.514	
LKKV4FTA5								.900
DC1								.879
CNHT2								.700
NLDT1								.682
CSKK6								.544

Source: from data exported from SPSS 22.0 software

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According to the results of Table 2 above, there are 8 columns, which means that there are 10 factors drawn from 34 observed variables and rerun EFA with 34 variables, then we have the following results:

To check the reliability of the factors using Cronbach's alpha, we test the factors using Cronbach's alpha coefficient. In terms of empirical research, observed variables with item-total correlation less than 0.4 will be eliminated and the standard for choosing the scale when Cronbach's Alpha is from 0.6 or higher (Nunnally and Burnstein 1994 according to the experimental data). Nguyen Khanh Duy et al. 2008).

Table 3: Results of testing of influencing factors

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation
DC	44.24	1.786	.616
NLDT	44.25	1.768	.621
LKKV+FTA	44.25	1.747	.615
ONDKT	44.27	1.910	.677
CSHT	44.25	1.853	.641
CSKK	44.29	1.697	.619
CLNNL	44.29	1.885	.671
SMTT	44.28	1.714	.611
XTDT	44.24	1.925	.649
CNHT	44.26	1.838	.637

Source: from data exported from SPSS 22.0 software

DC test: The scale of technical infrastructure components is measured by 6 observed variables, through the analysis results of Cronbach Alpha coefficient, it shows that the Cronbach Alpha coefficient reaches 0.616 > 0.6, so the scale meets the standard. The value of the total correlation coefficient of the component measures are all higher than 0.3. The observed variables all have high and greater than 0.3 variable - total correlation coefficient, so the variables meet the requirements on reliability. The analysis results show that the observed variables included in the component of the technical infrastructure scale have a close association in the 6 component scales.

NLDT test: Cronbach's Alpha coefficient = 0.621 > 0.6, so the scale is standard. At the same time, the observed variables all have high variable-total correlation coefficient and greater than 0.3, so the variables meet the requirements of reliability.

KKKV&FTA test: Cronbach's Alpha coefficient = 0.615> 0.6, so the scale is standard. At the same time, the observed variables all have high variable-total correlation coefficient and greater than 0.3, so the variables meet the requirements of reliability.

ONDKT test: Cronbach's Alpha coefficient = 0.677 > 0.6, so the scale is standard. At the same time, the observed variables all have high variable-total correlation coefficient and greater than 0.3, so the variables meet the requirements of reliability and this is also the component with the highest Cronbach Alpha coefficient among the components measure.

Infrastructure test: Cronbach's Alpha coefficient = 0.641 > 0.6, so the scale is standard. At the same time, the observed variables all have high variable-total correlation coefficient and greater than 0.3, so the variables meet the requirements of reliability.

CSKK test: Cronbach's Alpha coefficient = 0.619 > 0.6, so the scale is standard. At the same time, the observed variables all have high variable-total correlation coefficient and greater than 0.3, so the variables meet the requirements of reliability.

CLNNL test: Cronbach's Alpha coefficient = 0.671 > 0.6, so the scale is standard. At the same time, the observed variables all have high variable-total correlation coefficient and greater than 0.3, so the variables meet the requirements of reliability.

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SMTT test: Cronbach's Alpha coefficient = 0.611 > 0.6, so the scale is standard. At the same time, the observed variables all have high variable-total correlation coefficient and greater than 0.3, so the variables meet the requirements of reliability.
XTDT test: Cronbach's Alpha coefficient = 0.649 > 0.6, so the scale is standard. At the same time, the observed variables all have high variable-total correlation coefficient and greater than 0.3, so the variables meet the requirements of reliability.
CNHT test: Cronbach's Alpha coefficient = 0.637> 0.6, so the scale is standard. At the same time, the observed variables all have high variable-total correlation coefficient and greater than 0.3, so the variables meet the requirements of reliability.
In summary, through the results of calculating the Cronbach Alpha coefficient, we see that all 10 factors are statistically significant and have the necessary reliability coefficients. Therefore, these 10 factors are eligible to continue to be used in further analyses.
To determine, measure and evaluate the influence of factors (from 1 to 10) on the decision of EU foreign direct investors to Vietnam, we can use the regression method. The multiple linearity is as follows:

$$QDDTCEU = \beta_0 + \beta_1 CSHT + \beta_2 ONDKT + \beta_3 CNHT + \beta_4 SMTT + \beta_5 DC + \beta_6 CLNNL + \beta_7 (LKKV+FTA) + \beta_8 CSKK + \beta_9 NLDT + \beta_{10} XTDT$$

Table 4: Results of ANOVA analysis

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	33.778	10	3.378	102.336	.000[b]
	Residual	22.280	675	.033		
	Total	56.058	685			

a. Dependent Variable: QDDTCEU

b. Predictors: (Constant), CNHT, CLNNL, ONDKT, NLDT, XTDT, CSKK, CSHT, SMTT, LKKV+FTA, DC

Source: from data exported from SPSS 22.0 software

Table 5: Results of coefficients analysis

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.334	.246		1.357	.000		
	CSHT	.724	.040	.240	6.613	.000	.448	2.234
	ONDKT	.696	.033	.136	4.081	.000	.531	1.883
	CNHT	.654	.035	.468	3.499	.000	.489	2.045
	SMTT	.618	.030	.097	3.374	.001	.711	1.406
	ĐC	.575	.027	.000	.014	.000	.840	1.190
	CLNNL	.439	.034	074	2.560	.000	.696	1.438
	LKKV+FTA	.411	.027	.069	·2.399	.000	.705	1.418
	CSKK	.378	.022	.002	.089	.000	.852	1.173
	NLDT	·.348	.024	.137	4.808	.000	.727	1.375
	XTDT	.266	.022	.004	.140	.000	.876	1.142

a. Dependent Variable: QDDTCEU

Source: from data exported from SPSS 22.0 software

Look at Table 5, VIF(Variance Inflation Factor, magnification variance) < 10, so there is no multicollinearity.

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IJCSRR @ 2022
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Table 6: Model Summary analysis results

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.776[a]	.603	.828	.182	1.946

a. Predictors: (Constant), CNHT, CLNNL, ONDKT, NLDT, XTDT, CSKK, CSHT, SMTT, LKKV+FTA, DC

b. Dependent Variable: QDDTCEU

Source: from data exported from SPSS 22.0 software

The values of the independent variable and the dependent variable are normalized, the expected sign in the relationship between the independent variable and the dependent variable is a positive sign that specifies the weight of each component affecting the investment decision into Vietnam by EU investors.

Correlation between variables in the model: The results of the regression analysis show that, we find that the adjusted R^2 is 0.828 (82.8%) => 82.8 % of the change in the dependent variable QDDTCEU is explained by 10 independent variables, showing the relationship between the variables in the QDDTCEU. models are closely related. The results of the regression analysis of the model show that the R^2 value is 82.8%, which means the model's relevance is 82.8% or in other words 82.8% of the variation of the participation. is explained by 5 components of influencing factors. The adjusted R^2 value more accurately reflects the fit of the model to the population, the analysis results show that the adjusted R value is 0.776 (or 77.6%) which means that a linear regression model exists. between foreign investment decisions of EU investors and 10 components of factors affecting foreign investment decisions of EU investors. Looking at this ANOVA table, the results of ANOVA analysis of variance show that the F value has a Sig significance level. = 0.000 (<0.05), it means that the regression model fits the collected data and the included variables are statistically significant at the 5% level of significance.

Statistical value F = 102.336 is used to test hypothesis H_0, the analysis results show that the linear relationship is very significant with P_Values < 0.05. From the above results, the study can reject the hypothesis H_0 that the slope of the 10 components in the influencing factors is 0. Thus, the independent variables in the model have a relationship with the dependent variable. under the foreign investment decision of EU investors.

From the results of regression analysis with the actual regression model as follows:

QDDTCEU=0.334+0.724*CSHT+0.696*ONDKT+0.654*CNHT+0.618*SMTT+0.575*DC+0.439*CLNNL+0.411*(LKKV+FT)+ 0.378*CSKK+0.348*NLDT+ 0.266* XTDT

The above model explains that 82.8% of the change of Y variable is caused by independent variables in the model, the remaining 17.2% of the variation is explained by other variables outside the model that are within the range of the model. micro-theme could not be studied. The results of regression analysis have shown the importance of 10 variables DC, NLDT, LKKV+FTA, ONDKT, CSHT, KSKK, NLNL, SMTT, XTDT, CNHT for the dependent variable Y (QDDTCEU).

Thus, the Beta value shows:

- Standardized regression values of infrastructure and investment support services affect 72.4% of EU investors' foreign investment decisions,
- The standardized regression value of Socio-economic stability affects 69.6% of EU investors' foreign investment decisions,
- The normalized regression value of the development of supporting industries affects 65.4% of foreign investment decisions of EU investors,
- The normalized regression value of market purchasing power affects 61.8% of EU investors' foreign investment decisions,- The normalized regression value of the foreign investment motivation of investors affects 57.5% of the foreign investment decisions of EU investors.
- The standardized regression value of the quality of domestic human resources affects 43.9% of EU investors' foreign investment decisions,

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- The normalized regression value of regional connectivity and trade agreements between the host country and the host country affects 41.1% of EU investors' foreign investment decisions,
- The standardized regression value of the flexibility and attractiveness of the investment policy system and the promotion of foreign investment affects 37.8% of EU investors' foreign investment decisions.
- The standardized regression value of investor capacity affects 34.8% of EU investors' foreign investment decisions.

CONCLUSION

This study uses an exploratory factor analysis (EFA) model with 10 independent variables and 01 dependent variable that is the decision of EU investors in Vietnam. On the basis of research results, confirm the influence of each factor according to multiple linear regression model. This result is the basis for recommendations to the Government of Vietnam in improving the investment environment in order to effectively attract FDI from EU investors into Vietnam in the coming time, especially in the current context. Now under the impact of the Covid-19 pandemic.

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International Journal of Current Science Research and Review
ISSN: 2581-8341
Volume 05 Issue 02 February 2022
DOI: 10.47191/ijcsrr/V5-i2-18, Impact Factor: 5.825
IJCSRR @ 2022
www.ijcsrr.org

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