

The Impacts of Public Administrative Quality on Profitable Enterprises in Vietnam

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Abstract

This study aims to understand the relationship between the quality of public administration and the rate of profitable enterprises by locality in Vietnam in the period 2015 - 2019. With a combined data set from two sources including The first is the Provincial Competitiveness Index (PCI) dataset jointly implemented by the Vietnam Chamber of Commerce and Industry (VCCI) with the support of the United States Agency for International Development (USAID) in Vietnam, the second is the "White Book of Vietnamese Enterprises" compiled and published annually by the General Statistics Office of Vietnam. Combined with panel data estimation method to assess the impact of public administration quality indicators on the rate of profitable enterprises by locality. Research results show that there exists a relationship between the quality of public administration and the rate of profitable enterprises. Especially the indicators of Entry Costs, Policy Bias, and Labor and Training have both positive and negative effects with very strong statistical significance.

Introduction

Economist Douglas North (North, 1989) has emphasized in his thesis that institutions are an essential factor explaining changes in economic growth across countries. Research by North shows that property rights are protected and stable is a critical factor for the economic development of nations. Following him, in a microscopic approach, the gradual institutional change is due to political and economic organizations realizing that they can do better by somehow altering the existing institutional framework. If political and economic markets are efficient, meaning there are no transaction costs, then all options will always work. But agents always have to act on incomplete information; their choices are not always practical. Transaction costs in economic and political markets represent inefficient property rights. Similar to Acs et al. (2018) also stated that: "Particularly important for economic growth are economic institutions in society such as the structure of property rights and the presence of market frameworks. efficient field". In addition, without property rights, businesses would not have an incentive to invest in physical capital or human resources or apply more effective technologies to improve their business performance. However, these studies are still limited in terms of causality between economic institutions and economic efficiency (Chu Thi, 2018). Based on the role of economic institutions in the efficiency of the overall economy, there have been many related studies to examine the impact of economic institutions on enterprises. A number of studies by domestic researchers have emphasized the crucial role of institutions in the effectiveness of business activities. According to Bach Ngoc (2017), different quality of provincial governance institutions will lead to significant differences in the impact on the entry and growth of enterprises, in which aspects of transparency, property rights, and contract enforcement have a positive impact on business performance. Besides, the studies of Nguyen et al. (2013); Viet (2013) also show that increasing transparency and reducing formal costs in the quality of public administration have a positive impact on the performance of enterprises,

increasing transparency and reducing formal costs in public administration. Most studies focus on the impact of public administration on the performance of each enterprise, ignoring the overall performance of enterprises operating in each locality, expressed based on the ratio of locally profitable businesses. To fill this gap, the study was conducted to provide a new perspective on the impact of public administration quality on the proportion of profitable enterprises in different localities of Vietnam.

The remainder of the paper is organized as follows: In the next section, we synthesize the theoretical background and develop hypotheses for the research. In section 3, we provide information about the research data and methodology. We present the research results in section 4 and the discussion in section 5. The final section is the conclusion

Literature Review

Theory of quality of public administration for enterprises

The institution is defined as a set of rules that limit human behavior (North, 1990) and as a tool to coordinate millions of people in a certain order. "The meaning of institutions is man-made in terms of political structure, economic and social interactions" (North, 1990). This shows that the nature of public administration is self-constructed by people to solve practical problems in the operation of the state, so the theories of state management are heavily reformed, and pragmatic (Rabin et al., 2006). Running a country will force public administration managers to solve many problems in many different fields, so according to (Frederickson et al., 2003), there is no reason why any particular theory can be applied to public administration. Because this is a field that is both interdisciplinary and highly practical, a single theory can't describe, explain or account for the complexity of this field. Therefore, this explains the significant impact of public administration on all sectors, including the economy in general and businesses in particular.

Based on the role of institutions/public administration in the economy, scholars worldwide have come up with the idea of investigating the relationship of public administration to businesses. According to the study of Hoskisson et al. (2000), the role of institutions in the economy is to reduce transaction and information costs through reducing uncertainty and establishing a stable institutional structure to facilitate the guarantee of property rights, thereby creating an excellent environment to stimulate the interaction between actors in the economy. In addition, a study by World Bank (2002) concluded that in a country with better institutional quality, the risks arising from transactions will be managed effectively and thereby improve the quality of the business environment in the country, promote the business performance of enterprises, and the ability to generate higher profits. Thus, the role of institutions in the economy is to focus on creating a better business environment for businesses, stimulating the entry of new firms into the market. Besides, economists who study the impact of institutions on companies based on the view of transaction costs also have similar comments. Transaction costs here are seen as corresponding to corruption and lack of transparency related to the operational functions of the public administration (McCulloch et al., 2013). According to the study of Coase (1937), the economy under an institution has a framework to reduce randomness in business transactions. Clear and low transaction costs help to create a good environment. Since then, businesses will tend to invest more long-term and focus on improving creativity. And vice versa, when the institutional environment is poor with high transaction costs, implicit and not transparent (providing information, bribery, unofficial costs), it will make businesses more inclined to short-term investment direction or no investment. Most empirical studies tend to support the view that the quality of economic institutions will have a proportional effect on firm performance. Bülow (2015) concluded that better institutions have the potential to drive

economic growth through increased corporate productivity and increased demand as companies are more likely to invest in new jobs in research on the influence of better government institutions on the performance of 16,105 enterprises in more than 42 developing and transition countries. This means that organizations have a real influence on the aggregate performance of the economy through a small but cumulative impact on businesses. Along with that, a study by Jibir et al. (2019) examines the role of government organizations in promoting the activities of companies in 23 countries in sub-Saharan Africa. This study has shown that organizations have a significant and positive contribution to the performance of companies in sub-Saharan Africa. Specifically, this research has shown that controlling corruption, effective government, quality regulation, and the rule of law are pro-market institutions that effectively create favorable business and investment environments.

In Vietnam, since the implementation of the "Doi Moi" policy of transforming from a centrally planned economy to a socialist-oriented market economy, over the past ten years, researchers have also begun to pay attention to the relationship between the impact of institutions and businesses. The first is a study by Hansen et al. (2009) with data using three enterprise surveys conducted in 1992, 1997, and 2002 to analyze whether direct government support in entrepreneurship and other forms of interaction with the public sector affect the long-term performance of small and medium-sized manufacturing enterprises (SMEs) in Vietnam. And the analysis demonstrated that initial government support for firms is a statistically significant determinant of firm growth, and this occurs even when controlling for relationships with the state. More recently, Chu Thi (2018) has studied the role of economic institutions in the operation of enterprises of all fields, locations, sizes, and types of enterprises. Specifically, the study will compare the impact of institutions on the performance of enterprises in a continuous period of 9 years (2006-2014) by combining two data sets, including Enterprise Survey (GES) conducted by the General Statistics Office and the Provincial Competitiveness Index (PCI) Dataset of the Vietnam Chamber of Commerce and Industry. As a result, economic institutions play an important role in the well-being of an economy in general and in investment decisions and business performance in particular. Another study is based on a transaction cost perspective to assess the impact of local governance on firm performance. The study analyzes more than 300,000 SMEs in Vietnam combined with the Provincial Competitiveness Index (PCI) dataset for the period 2006-2012, showing that local governance with high quality will have a positive effect on the revenue growth of local small and medium enterprises (Nguyen HTT et al., 2018). Aspects of provincial governance institutions differ significantly in their impact on the entry and growth of private enterprises, aspects of transparency, and protection of assets. Private equity and contract enforcement will have a positive correlation to the development of the private business sector, the conclusion of the study (Bach Ngoc, 2017).

The relationship between public administration and corporate profits

According to Tran (2019), the studies on corporate efficiency and profitability in conventional economic have eliminated institutional factors. But in practice, corporate efficiency and profitability can be impacted or disrupted by government regulations or distorted by local institutional quality. In particular, this is even stronger for businesses transitioning from a planned economy to a market economy, such as Vietnam. Institutional factors can increase or decrease agency costs between economic actors. Therefore, it is crucial to consider the impact of institutional factors when looking at the performance and profitability of firms across industries. Similarly, the study of Cherchye and Verriest (2016) also states that the political environment and legal strength affect the profitability of enterprises. In addition, they also find that the institution partially affects the profitability of enterprises through increased competition in the market when the government's entry regulations are made more open and

easier, which will help increase the entry of new businesses and put pressure on the market. Competition in businesses leads to a negative impact on business profits. Looking at them, the above influencing factors all represent the quality of the institution. Using a large number of SMEs operating in 25 European countries between 2006 and 2014, Gaganis et al. (2019) concluded that freedom from business, stabilizing political and institutional indicators positively affect the profitability of small businesses and medium enterprises in Europe. This research has broadened our understanding of the factors that drive corporate profitability. Similarly, in another study that examined how institutional changes in 16 transition economies in Central and Eastern Europe with more than 230,000 observations affect firm profits, the empirical results show that Institutional development can increase transparency and reduce risk and transaction costs. Still, it also makes competition stronger and makes it harder to maintain the same level of profitability. Besides, the study also contributes to the theory that the reform of institutions to improve the quality of institutions will help domestic enterprises have more advantages and thereby increase profits. Still, it has negative effects on the profitability of multinational enterprises with branches here (Kafouros & Aliyev, 2016). This can show whether the quality of institutions that create a fair competition environment will affect the profitability of businesses. A study in Vietnam has shown that when the quality of the provincial institutional environment is improved, the profitability of enterprises will increase, using the data of listed companies from 2007 to 2015 in Vietnam (Ha et al., 2019).

Hypothesis Development

In general, the impact of the quality of public administration on the performance and profitability of enterprises is specific. From many studies by scholars around the world, as well as scholars in Vietnam, results are showing that the quality of public administration in general or its representative factors in particular such as control corruption, the quality of law and politics, transaction costs, or other asset protection rights all have a certain impact on firm performance (Mcculloch et al., 2013; Smith, 2007; Chu Thi, 2018). From that, we can see that the operation process of an enterprise is affected by the quality of public administration, and the profit as a result of the operation process is no exception. A few recent studies have confirmed the relationship between the quality of public administration and corporate profits, both positively and negatively (Kafouros & Aliyev, 2016; Gaganis et al., 2019; Ha et al., 2019). Therefore, combining these two theoretical bases, the author proposes to develop a further research hypothesis to examine the relationship between the quality of public administration and the rate of profitable enterprises by locality in Vietnam. By using unique independent variables of Vietnamese public administration quality. The following hypotheses were developed:

H1: Entry Costs positively affect local profitability

H2: Land Access and Security of Tenure positively affect the rate of profitable enterprises by locality

H3: Transparency and Access to Information positively affect local profitability

H4: Time Costs and Regulatory Compliance negatively affect profitability by locality

H5: Informal Charges negatively affect local profitability

H6: Policy Bias positively affect local profitability

H7: Proactivity of Provincial Leadership positively affect the rate of profitable enterprises by locality

H8: Business Support Services positively affect the rate of local businesses

H9: Labor and Training positively affect the rate of profitable enterprises by locality

H10: Legal Institutions positively affect the rate of profitable enterprises by locality

Methods

Data

This study uses panel data with a sample size of 315 observations covering 63 provinces in Vietnam for the five years from 2015 to 2019, and this is a balanced panel. Information from the control data table is collected from two primary data sources. The first source is the Provincial Competitiveness Index (PCI) dataset developed jointly by the Vietnam Chamber of Commerce and Industry (VCCI) with the support of the United States Agency for International Development (USAID) in Viet Nam.

The data set is built by collecting and surveying enterprises in all provinces and cities nationwide, taking place annually on the largest scale. It is possible to find out and explain why some provinces and cities have developed ahead of other provinces and cities in terms of the private economy, job creation, and economic growth. In addition, this is also a helpful reference source for local leaders and policymakers who can identify inadequacies in economic policy management and a premise for economic policy, select the most effective solutions (VCCI, 2020). The PCI index was launched in 2005, collected, and surveyed in 42 provinces and cities of Vietnam with eight sub-indices. Up to now, the most recent methodological update in 2017, data has been collected in all 63 cities with ten sub-indices built from 128 criteria including:

Entry Costs is built to measure and evaluate the difference in market entry costs of newly established enterprises between provinces. Land Access and Security of Tenure is just a measure of two aspects of the land problem that all businesses face. Transparency and Access to Information measure the accessibility of provincial plans and legal documents required for business operations. Time Costs and Regulatory Compliance is a measure of the amount of time an enterprise has to spend to carry out administrative procedures. Informal Charges are measures of the informal costs a business has to pay and the impediments these informal costs cause to its business. Policy Bias is used to assessing private enterprises' competitive environment among the incentives for state-owned enterprises and foreign-invested enterprises. Proactivity of Provincial Leadership is a measure of the creativity and wisdom of provincial leaders in the process of implementing policies. Business Support Services is used to measure the province's services for private sector development. Labor and Training is a measure of local leadership efforts to promote vocational training and skills development in support of local industries. Legal Institution is a measure of the trust of private enterprises in the local judicial and judicial system.

The second data set is an index of the percentage of profitable businesses by locality. This data is taken from the "White Paper on Vietnamese Enterprises" compiled and published by the General Statistics Office of Vietnam every year. This data set was created to meet the requirements of managers, research, and use the information for business development goals nationwide and locally. The "Vietnamese Enterprise White Paper" content released firstly in 2019 includes essential information to assess the level of business development in the country and localities in the 2016-2018 period.

This study applies descriptive statistics to the data of provinces and cities to provide detailed information on local public administrative characteristics and changes in the profit proportion of enterprises. Profitable business over time estimated using Stata15 software. The panel data includes public administration quality information for 63 provinces and cities in Vietnam for

the period 2015 – 2019. The simplest type of model for panel data is the synthetic OLS model, which takes the form of an equation:

To quantify the spatial interaction between metropolis and provinces, this study relies a modified gravity model because of the similarity between the interaction strength and universal gravitation rules (Yang, 1989). This model was first used in economics by Reilly (1931) then Zipf (1942) adopted the gravitation model to city-system spatial-interaction analysis. After that, the gravitation model has been widely adopted by researchers measuring bilateral relations. The basic model of gravitation is:

$$Pf_{it} = \beta_0 + X_{it}\beta + \mu_{it} \quad (1)$$

Where: Pf_{it} is the ratio of profitable enterprises in total enterprises in provinces/cities $i \in (1; 63)$ in the year $t \in (2015; 2019)$. β_0 is the intercept factor. X is the matrix of independent variables described in Table 1. β is a vector of estimated regression coefficients. μ is a random term with a mean of 0. In this model, the coefficients are estimated by the OLS model with a sample of 615 ($i*t$) observations. This model assumes similarity and no correlation between the observed variables of province i over different time points or between different provinces in the same period. Therefore, this is the most limited panel data model and the least used in the research literature because each province will have different public administration characteristics that may or may not affect the independent variables. Therefore, to overcome this limitation, two other panel data models that can handle individual effects are also used: the fixed effect model and the random effect model (Oscar, 2010; Hausman, 1978). Equation (2) describes the Fixed Effects Model:

$$Pf_{it} = \alpha_i + X_{it}\beta + \mu_{it} \quad (2)$$

Where: α_i ($i = 1, 2, \dots, 63$) is an unknown intercept for each province (63 specific intercepts for each province). The fixed-effect model controls the effects of provincial public administration characteristics on the independent variables by fixing these features in the intercept. This means that the characteristics of public administration for provinces may vary, but for each province will not change over time. In contrast, unlike the fixed-effects model, the inter-provincial variation in the random-effects model is assumed to be random and does not correlate with the independent variables included in the model. Equation (3) shows the random-effects model.

$$Pf_{it} = \alpha + X_{it}\beta + \omega_i + \mu_{it} \quad (3)$$

Where: α is a constant random term, ω_i is a random error term with mean equal to 0 and variance equal to σ_ω^2 . In order to select the appropriate model among the above three models, this study has carried out a number of tests. Hausman test is performed to decide whether to choose a suitable model between two fixed or random-effects models. Besides, the Wald test is also used to test for heteroskedasticity, and Wooldridge test is also used to test the phenomenon of autocorrelation. The above two tests are used to detect the defects of the data table. If the data has defects, then it will be overcome by the FGLS method.

Table 1. Explanation of notation for variables

Variable	Description of variables
Dependent variable	
Pf	Percentage of profitable businesses by location
Independent variables	
CSPT1	Entry Costs
CSPT2	Land Access and Security of Tenure
CSPT3	Transparency and Access to Information

CSPT4	Time Costs and Regulatory Compliance
CSPT5	Informal Charges
CSPT6	Policy Bias
CSPT7	Proactivity of Provincial Leadership
CSPT8	Business Support Services
CSPT9	Labor and Training
CSPT10	Legal Institutions

Results and Discussion

Data Descriptive Statistics

The statistical description of the variables that can be considered in Table 2 shows that the Entry Costs (CSTP1) value is ranked the highest among the other independent variables, reaching an average value of 7.88 points and having a range from 5.86 to 9.28 points. Next in second place is Time Costs and Regulatory Compliance (CSPT4), with an average t-score of 6.70 points, ranging from 4.82 to 8.90 points. In contrast, the Score for Policy Bias (CSTP6) and Proactivity of Provincial Leadership (CSTP7) can be seen as the two most underrated indicators by the business community, with only average scores of 5.45 and 5.43 points, respectively. The core value of the variable Policy Bias (CSTP6) runs between 3.11 and 8.01 points, Proactivity of Provincial Leadership (CSPT7) range from 3.31 to 8.37 points. In general, the average value of the remaining independent variables fluctuates at a good average score from 5.99 points to 6.31 points. And most scores ranged from 3 points to more than 8 points.

Table 2. Descriptive statistics of variables

Variable	Obs	Mean	Std. Dv.	Min	Max
CSTP1	315	7.884995	0.6876399	5.861438	9.283225
CSTP2	315	6.313295	0.7146283	4.122625	7.894723
CSTP3	315	6.308559	0.4558385	4.883858	7.436815
CSTP4	315	6.708538	0.7801318	4.825339	8.901896
CSTP5	315	5.614806	0.8760428	3.340238	8.289467
CSTP6	315	5.451371	0.9682771	3.115119	8.013603
CSTP7	315	5.434793	0.9095768	3.318937	8.371367
CSTP8	315	6.048451	0.7082977	4.175933	7.81509
CSTP9	315	6.240349	0.8115361	4.141435	8.237934
CSTP10	315	5.99674	0.7897047	3.857325	7.986376
Pf	315	0.5784127	0.1213899	0.347	0.975

Source: Author's calculate

Figure 1 shows four indicators representing the quality of public administration across 63 provinces in Vietnam, with two having the highest mean score and two having the lowest. The indicators are scaled from 1 to 10 where higher values represent better public administration quality. In general, the indicators have significant changes over time and have strong divergence. During the period 2015-2019, the CSTP1 (Entry Costs) index had the highest average score, however, during this period there was a decrease in the average score of CSTP1 when 2015 reached an average of more than 8 points, by 2019 it will only have more than 7 points. This may reflect that the time for business registration and removal of difficulties in registration procedures has been overcome but is still not consistent with the reality of enterprises. For the second-ranked index, Time Cost has remained stable during this period with an average over the years of more than 6 points. In contrast to the two indicators rated as

the worst-performing, Policy Bias (CSTP6) and Proactivity of Provincial Leadership (CSTP7), there was a clear improvement in this period, with the average score in 2016 of both indexes is around more than 5 points, by 2019 both indexes will reach more than 6 points. This may reflect that inequality between business sectors has been overcome and fairness has improved. And similarly, local leaders have been more flexible in implementing central policies.

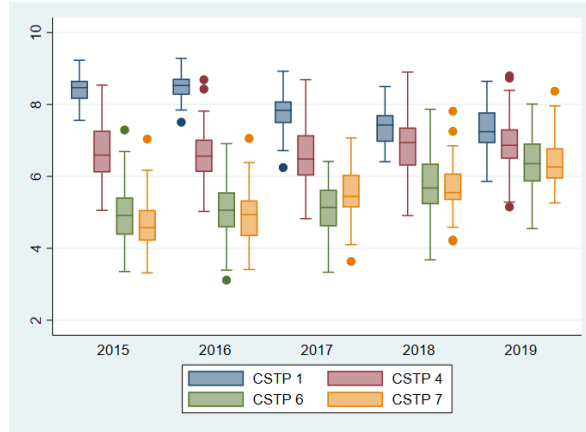


Figure 1. The four highest and lowest indicators of the quality of public administration

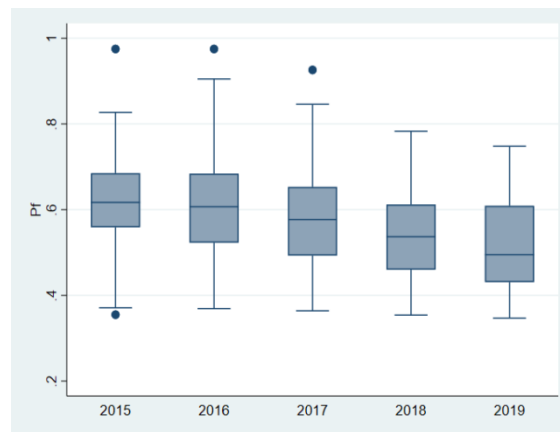


Figure 2. Rate of profitable businesses in 2015-2019

Besides, in Table 2 the percentage of profitable enterprises by locality (Pf) has a large difference from 34.7% to 97.5%, nearly three times higher between the province with the largest percentage of profitable enterprises compared to the province with the smallest rate of profitable enterprises (Pf). Figure 2 shows the trend of percentage of profitable enterprises in the period 2015-2019. In general, it can be easily seen that the rate of profitable enterprises in this period gradually decreased, in which the average rate of profitable enterprises in 2015 was about more than 60%. Still, in 2019 the rate only falls around 50%. The percentage of enterprises with the highest and lowest profits also fell in 2015.

Econometric Analysis of Panel Data

The correlation matrix between the variables is shown in Table 3 below. According to this matrix, the correlation coefficient between some explanatory variables is quite high such as Land Access and Security of Tenure (CSTP2), Time Costs and Regulatory Compliance (CSTP4), Informal Charges (CSTP5), but in general, all coefficients are less than 0.8. According to Wooldridge (2010), when performing regression analyses with panel data, multicollinearity is not a big problem because the independent variables can be correlated, except in perfect correlation.

Table 3. The correlation matrix between variables

	CSTP 1	CSTP 2	CSTP 3	CSTP 4	CST P5	CSTP 6	CSTP 7	CSTP 8	CSTP 9	CSTP 10
CSTP 1	1.00									
CSTP 2	-0.33	1.00								
CSTP 3	-0.13	0.30	1.00							
CSTP 4	0.01	0.54	0.20	1.00						
CSTP 5	-0.26	0.69	0.25	0.69	1.00					
CSTP 6	-0.37	0.54	0.19	0.36	0.54	1.00				
CSTP 7	-0.36	0.66	0.48	0.49	0.66	0.53	1.00			
CSTP 8	-0.43	0.12	0.13	0.01	0.10	0.08	0.24	1.00		
CSTP 9	-0.29	0.04	0.26	-0.11	0.08	-0.09	0.28	0.39	1.00	
CSTP 10	-0.27	0.55	0.32	0.43	0.55	0.54	0.64	0.11	0.10	1.00

Source: Author's calculate

To strengthen the model, the multicollinearity test for the variables shows that the variance inflation coefficient VIF of each independent variable is mostly lower than three, and the mean of VIF (2.08) is less than 5. (Table 4). This can prove that it is impossible to conclude that the model exists multicollinearity and that all variables are independent and can be included in the regression model. In addition, for panel data, a serial correlation test is necessary. But this test is usually only applicable to long time-series data, and it is not a problem for the study in a period of a few years. And in this study, the author uses panel data for 63 provinces over five years, so serial correlation is unnecessary for the study.

Table 4. VIF index of variables

Variable	VIF	SQRT VIF	Toletance	R-Squared
CSTP1	1.63	1.28	0.6123	0.3877
CSTP2	2.42	1.56	0.4124	0.5876
CSTP3	1.36	1.17	0.7352	0.2648
CSTP4	2.30	1.52	0.4340	0.5660
CSTP5	3.16	1.78	0.3167	0.6833
CSTP6	1.94	1.39	0.5167	0.4833
CSTP7	3.13	1.77	0.3200	0.6800
CSTP8	1.38	1.18	0.7234	0.2766
CSTP9	1.52	1.23	0.6585	0.3415
CSTP10	1.94	1.39	0.5166	0.4834
Mean VIF	2.08			

Source: Author's calculate

This paper uses a model to estimate the local rate of profitable enterprises by using panel data regression, including three models: Pools OLS, fixed-effects model (FE), and random effects model (RE). To choose the most effective model, the author used the Hausman test (Hausman, 1978) used to choose between the RE model and FE model, in which the hypothesis H0 is that the preferred model is random effects versus the alternative the fixed effects if H0 is accepted, the RE model is suitable. Vice versa, if H0 is rejected, the FE model is suitable. And Wald test to choose between Pool OLS model and FE model, in which the hypothesis H0 assumes that the variance between objects or times is constant, then accepts H0 is the Pools OLS model is suitable; otherwise, the FE model is suitable.

Results of the experimental choice between model FE and RE indicate that the p-value of accreditation Hausman is significant (p-value = 0.0224), which means reject the null hypothesis H0 and accept the hypothesis H1, i.e., the FE fixed-effects model is suitable for the study. However, one disadvantage of panel data is that with a large number of observations in a short time series, heteroskedasticity and autocorrelation phenomena often arise. So, after choosing the appropriate model as FE, the author uses the Wald test to check the heteroskedasticity of the FE model, p-value. = 0.000 < 0.05, inferring to reject the hypothesis H0 of the test, so it is concluded that the research data has a variable variance. Next, the Wooldridge test is used to check the autocorrelation of the data. The result is p-value = 0.0457 < 0.05, showing that the data is present. autocorrelation. From here, we can see that there are defects in the dataset. To overcome these two phenomena, the FGLS method is employed to estimate the model.

Table 6. Results of econometric models for the proportion of profitable enterprises by location

	(POOL)	(FEM)	(REM)	(GLS)
CSTP1	0.0447*** (4.58)	0.0265*** (4.01)	0.0285*** (4.27)	0.0167*** (3.01)
CSTP2	-0.00158 (-0.14)	0.00227 (0.30)	0.00535 (0.70)	-0.00327 (-0.50)
CSTP3	-0.0233* (-1.73)	-0.0112 (-1.17)	-0.0134 (-1.38)	-0.0160* (-1.96)
CSTP4	-0.00123 (-0.12)	-0.00637 (-0.82)	-0.00456 (-0.60)	-0.00481 (-0.88)
CSTP5	0.00674 (0.63)	-0.00864 (-1.24)	-0.00606 (-0.86)	-0.00163 (-0.30)
CSTP6	0.00841 (1.11)	-0.00487 (-0.92)	-0.00163 (-0.31)	0.00853** (2.19)
CSTP7	-0.0115 (-1.12)	-0.0107 (-1.58)	-0.00873 (-1.26)	-0.00755 (-1.51)
CSTP8	-0.0105 (-1.20)	-0.0138** (-2.12)	-0.0125* (-1.90)	-0.0120** (-2.38)
CSTP9	-0.0679*** (-8.51)	-0.0166* (-1.81)	-0.0368*** (-4.51)	-0.0437*** (-7.97)
CSTP10	0.0373*** (4.03)	0.00765 (1.25)	0.0116* (1.86)	0.00824* (1.73)
_cons	0.633*** (4.23)	0.743*** (5.79)	0.760*** (6.14)	0.893*** (9.35)
N	315	315	315	315
R-sq	0.43	0.434	0.417	
Hausman test	20.82**			
Wooldridge test for autocorrelation	32.415***			
Wald test for groupwise heteroskedasticity	2990.62***			
Note: t statistics in parentheses; *** p < 0.01; **p < 0.05; * p < 0.1				

Source: Author's calculate

The results of the FGLS method presented in Table 6 show that, except for four variables CSTP2, CSTP4, CSTP5, CSTP7, is not statistically significant; all the remaining six variables have statistical significance from 1% to 10%. This may imply that there will be an impact on

the rate of profitable enterprises in each locality if the quality of public administration of each locality has some changes. Some indicators have a positive effect, while others have a negative impact as follows:

The Entry Costs (CSTP1) have a positive impact and have the same direction as the rate of profitable enterprises in each locality. This coefficient has statistical significance at 1%. Accordingly, when the quality of public administration increases by 1%, the rate of profitable enterprises in each locality increases by 0.01666%. This implies that the higher the number of localities with the market entry points, the faster and more efficient the time and procedures for business registration or change are. The lower the costs of entry will help the rate of profitable businesses in the locality increase higher. Research results are consistent with economic theory when the cost reduction helps increase the enterprise's profit. According to (Gaganis et al., 2019), when the market entry cost is high, it will reduce the competition of enterprises, which makes the old companies become lazy and operate less efficiently, leading to a decrease in corporate profitability.

The transparency and Access to Information (CSTP3) coefficient has a negative sign and is statistically significant at the 5% level. This means that the transparency variable has a negative and opposite effect on the dependent variable. When the transparency index increases by 1%, at the same time, the rate of profitable enterprises of each province will decrease by 0.0159%. This shows that when provinces have easy access to provincial plans or legal documents necessary for business operations, businesses have access to such documents. This version is equal to each other. At this time, the rate of profitable enterprises in each locality will decrease. When information and policies from central to local are communicated transparently and fairly among businesses, this helps to make the business environment more fair and competitive, then impact the performance of the business and affect the profitability of the enterprise (Cherchye & Verriest, 2016). According to Thi Bich et al. (2009), Bach Ngoc (2017) has argued that improving transparency has no significant impact on firm size growth. This may be due to the transparency in providing general documentation about the plan or regulation, so the business will not benefit much, for the resulting business performance will not have much impact on the company's profit. Similar to the research conclusion of Kafouros & Aliyev (2016), the Policy Bias (CSTP6) has a positive correlation with the rate of profitable enterprises by locality and is statistically significant at the 5% level. Accordingly, when the equal competition score increases by 1%, the rate of profitable enterprises in that locality increases by 0.0085%. The impact of equal competition on the profitability of enterprises implies that if provincial leaders always create a fair competition environment among business entities (SOEs, private enterprises, and foreign-invested enterprises) include: administrative procedures - papers, access to land, etc., the proportion of profitable businesses in the area will be increased. Although the increase rate is not much, it has a great impact on each business entity to improve the competitiveness of each business entity. Business Support Services (CSTP8) has a negative effect on the rate of profitable businesses at the 5% significance level. In other words, when the business support service score increases to 1%, the rate of profitable enterprises by locality decreases by 0.0119%. This means that businesses will have a negative impact on profits when using these support services locally. This may be because these services are only prioritized in terms of appearance rather than focusing on the practicality of services for businesses. In addition, to support these services, enterprises may have to pay additional time and financial costs (Chu Thi, 2018), which may increase enterprises' costs, leading to negatively affecting corporate profits.

Similarly, the Labor and Training (CSTP9) is negatively related to the percentage of profitable enterprises by location with a statistical significance of 1%. When labor training increases by

1%, the rate of profitable enterprises in each locality will decrease by 0.4366%. This means that efforts by provincial leaders to promote vocational training and skills development to support local industries will increase the efficiency of businesses. This is probably due to the difference in labor qualifications and the actual needs of the business or the difference in labor demand between industries, so most businesses have to train more or re-train them. This causes training costs to increase, decreasing profits (Chu Thi, 2018).

Finally, the index of Legal Institutions (CSTP10) has a positive and positive impact on the rate of profitable enterprises with a statistical significance of 10%. Accordingly, when the Legal and Security Institutions score increased by 1%, the rate of profitable enterprises by locality increased by 0.0082%. It shows us that the trust of private enterprises in the province's court system and judicial system is very meaningful. Businesses see these legal institutions as effective tools for dispute resolution or as a place where businesses can complain about corrupt practices by local public officials. According to the theory of economic institutions, ensuring the ownership of enterprises and reducing transaction costs will motivate enterprises to decide to invest and develop. Thus, it also improves their performance, which enhances the profitability of the business.

Based on the results obtained from this study, the author makes some recommendations to improve the quality of public administration in localities by improving the indicators of public administration quality. That can create an effective operating environment for businesses and improve the local profit rate. The improvement of public administration quality indicators has a number of positive impacts and some negative impacts. For the indicators that positively affect the rate of local enterprises, local authorities at all levels should continue to promote and improve these indicators. For indicators that have a negative impact, leaders need to absorb and record the feedback of organizations, associations, and businesses to better check the implementation process. Consists of: Firstly, for market access, in order to maintain and improve the score of this indicator, local authorities need to continue to review, amend and supplement the laws related to the accession market such as (i) Continue to shorten the waiting time for business registration in the local area, especially the post-registration procedures. According to Malesky et al. (2018) stated in the 2018 PCI Report that the burden of post-business registration is still a big problem for many businesses when up to 15.8% of businesses have to wait for more than one month to have enough other necessary documents to officially operate. Therefore, the post-registration work needs to be further improved, shortening the time and simplifying the unnecessary procedures. (ii) Continue to increase the percentage of enterprises registering their business online in order to reduce the pressure on the traditional business registration system. To be able to improve this index, localities need to integrate and apply information technology tools such as: improving the province's administrative website, building an easy-to-see and easy-to-use interface, and guiding documents. specific instructions when enterprises register online. Second, for transparency and access to information to be able to improve this indicator, the central government needs to continue to examine, supplement, amend and promulgate laws related to information transparency.

News and comments in accessing information. In addition, a very interesting issue, according to the research of Chu Thi (2018) mentioned is the label of "confidential" documents. It seems that at some levels, local authorities are abusing this issue when regulations are not consistent with each other. If the local government does not want to make this information public, they will automatically label it as "secret." This creates a loophole for some interest groups to take advantage of when businesses want to get information. Therefore, State leaders need to have consistent regulations in the classification of classified and non-confidential information to avoid related negatives. In addition, businesses also need to be proactive in accessing and

capturing relevant information in a timely manner. Third, the fair competition index has a positive impact on the rate of profitable enterprises by locality. The creation of an equal competitive environment among enterprises helps to improve the internal competitiveness of each enterprise. To ensure a level playing field for all businesses to improve competitiveness and attract investment, the provincial leadership should direct the promotion of propaganda, support, and create favorable conditions for domestic enterprises, access to land, and capital. Ensuring that there is no bias between different types of businesses. In particular, the focus is on propaganda, especially those who directly handle administrative procedures of enterprises, raise awareness, thereby adjusting the sense of responsibility, implementing the guidelines and policies of the Party.

The State on fair support for businesses to establish a fair competition environment. Local leaders need to propose to the government, officials, and central branches to continue reviewing and removing inappropriate incentives for state-owned enterprises. Continue to amend and supplement relevant legal provisions to ensure fairness for all business sectors. Fourth, for business support services, local authorities continue to improve. Attention should be paid to providing information to businesses by publicly listing on the provincial portal and the websites of departments, branches, and localities. At the same time, it is necessary to improve trade promotion activities by maintaining and developing the efficiency of the provincial e-commerce trading floor. It is also necessary to organize quality trade fairs to promote and support businesses in consuming local products.

In addition, provincial leaders also need to pay more attention to small and medium-sized enterprises because this group is facing many difficulties in accessing land and credit. Fifth, in order to improve the local labor training quality index, the locality needs to review and advise on perfecting mechanisms and policies on vocational training in the direction of standardization, in line with current standards. internationalization and reintegration. Regularly monitor and evaluate changes and requirements of the labor market to promptly adjust job creation and vocational education to be compatible with the context of the fourth industrial revolution. In addition, businesses also need to actively coordinate with local vocational education centers to exchange requirements for job skills compatible with businesses and place orders with education centers, to reduce the cost of retraining for employees. Finally, in terms of legal institutions and security and order, localities need to continue maintaining and promoting their achievements. Locality needs to improve the quality of the court system, in which the judicial system must show its preeminence as a place where businesses believe in the ability of the law to protect copyright or enforcement. contract; need propaganda to encourage businesses to be willing to go to court to resolve disputes; eliminate the situation of informal expenses in the process of settling disputes and settling cases, demonstrating fairness and rigor in the adjudication process, and ensuring that courts at all levels handle economic cases quickly. quickly and the judgment is enforced. In addition, legal procedures and regulations should be clear in terms of time to resolve the case, ensuring promptness, fairness, and reasonableness.

Conclusion

This study examines the impact of public administration quality components on the percentage of profitable enterprises in Vietnam in the period 2015 - 2019. Research results have also shown that administrative quality Local public administration will have a certain influence on the profits of businesses in the area, and it shows the percentage of profitable businesses in the locality. This study is quite consistent with the theoretical and experimental studies of scholars worldwide that have confirmed that the quality of public administration plays an important role in the development of prosperity of the economy in general and individual business results. This study has also shown that the component indexes of the quality of public administration

impact the rate of profitable enterprises in each locality, having both positive and negative effects. In general, the effects also reflect the degree of influence of the quality of public administration on the company's profitability. The indicators of Entry Costs, Policy Bias, and Labor and Training have a high significance to the rate of profitable enterprises in each locality. In addition, the study also makes several recommendations for both local governments and businesses to improve and enhance the quality of public administration in each locality to create a healthy business environment that gives fairness to all businesses. These topics can attract investment and improve business performance, contributing to the stability and growth of the local economy in particular and the growth of the country in general.

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