

IMPROVING INVESTMENT ATTRACTION FOR ECONOMIC AND SOCIAL DEVELOPMENT IN BAC NINH PROVINCE

MA. Nguyen Thanh Binh*

Abstract: *By analyzing the current situation of investments in Bac Ninh province, the paper evaluates the investment efficiency for the province's social and economic development and points out the limitations in investment attraction. In the period from 2017 to 2021, the total capital invested to Bac Ninh province grew very strongly, but tended to decrease in the last years of the period. Besides, the operating efficiency of enterprises is quite positive but it is still not good in the state sector. Therefore, the People's Committee of Bac Ninh province needs solutions to improve the province's competitiveness, strengthen and improve the quality of investment promotion as well as accelerate the construction of infrastructure to serve requirements of enterprises.*

• Keywords: *investment attraction, social and economic development, Bac Ninh province.*

Date of receipt: 02nd May, 2022

Date of receipt revision: 15th July, 2022

Date of delivery revision: 8th May, 2022

Date of approval: 20th July, 2022

Tóm tắt: Qua phân tích thực trạng thu hút đầu tư của tỉnh Bắc Ninh, bài viết đánh giá hiệu quả đầu tư đối với phát triển kinh tế - xã hội của tỉnh và chỉ ra những hạn chế trong công tác thu hút đầu tư. Trong giai đoạn 2017 - 2021, tổng vốn đầu tư vào tỉnh Bắc Ninh tăng trưởng rất mạnh, nhưng có xu hướng giảm dần vào các năm cuối của thời kỳ. Bên cạnh đó, hiệu quả hoạt động của doanh nghiệp cũng giảm mạnh trong thời gian này. Hiệu quả sử dụng vốn để phát triển kinh tế, xã hội khá khả quan nhưng khu vực nhà nước vẫn chưa tốt. Vì vậy, Ủy ban nhân dân tỉnh Bắc Ninh cần có các giải pháp nâng cao năng lực cạnh tranh của tỉnh, tăng cường và nâng cao chất lượng xúc tiến đầu tư cũng như đẩy nhanh tiến độ xây dựng cơ sở hạ tầng phục vụ yêu cầu của doanh nghiệp.

• Từ khóa: *Thu hút đầu tư, phát triển kinh tế và xã hội, tỉnh Bắc Ninh.*

Over the years, Bac Ninh has been very successful in attracting investment from businesses, especially foreign direct investment (FDI). In the period of 2016 - 2021, the total attracted capital is VND 422,801 billion, double the period of 2011 - 2015. In 2017, the province's FDI reached USD 3.64 billion, ranking second in the country. However, the amount of investment attracted in 2020 - 2021 has a sharp decrease. In addition to the impact of the Covid-19 pandemic, the Provincial Competitiveness Index (PCI) of Bac Ninh also decreased, ranking dropped from 4th in 2019 to 10th in 2020.

The goal of production development of Bac Ninh province is not only to attract FDI but also to attract investment from domestic enterprises to diversify production and fully exploit advantages in different industries. That needs to find effective solutions to increase investment attraction in the new period.

2. Figures of investments in Bac Ninh province

2.1. Scale and structure of investments in Bac Ninh province

2.1.1. Newly registered investment projects in Bac Ninh province

1. Introduction

In order to accelerate the speed of socio-economic development, investment capital is an indispensable factor that requires Bac Ninh province to have effective solutions to raise capital from many different sources, both people and businesses from many economic sectors.

* Ho Chi Minh National Academy of Politics; email: binhgeosc@gmail.com

During the period from 2017 to 2021, new domestic investment projects tend to decrease gradually. Specifically, in 2017, the number of domestic projects attracted to the province was 104, slightly increased to 119 in 2018 but then decreased sharply in 2019, only 75 projects. Although 2020 will increase to 80, in 2021, this number will only be 58. Bac Ninh's provincial competitiveness is rated the highest in 2019 (ranked 4th out of 63 provinces) but the number of projects attracting Domestic investment is low compared to 2017-2018.

This trend also occurs in attracting FDI in Bac Ninh province. Provincial competitiveness Index in 2019 was highly appreciated, causing the number of new FDI projects in the province to increase sharply to 245 but then gradually decrease. 2021 is also the year that the number of FDI projects in Bac Ninh is the lowest. This is also the year Bac Ninh had to go through many prolonged periods of social distancing, the production of many businesses stagnated as well as being affected by the declining FDI flow of the whole world.

Table 1. Investment attraction in Bac Ninh province from 2017 to 2021

Content	Unit	2017	2018	2019	2020	2021
DDI						
New project	Project	104	119	75	80	58
Total investment	Billions dong	9.832,18	25.100	5.086,3	8.506,62	22.642,68
Adjustment of capital increase	Project	40,00	41,00	45,00	35,00	89,00
License revocation	Project	-	17,00	-	1,00	5,00
FDI						
New project	Project	192	178	245	159	131
Total investment	Million USD	467,55	408,02	857,87	439,882	1.204,02
Adjustment of capital increase	Project	140	121	161	105	104
License revocation	Project	0	24	5		

Source: Bac Ninh Provincial People's Committee (2021)

Although the number of new investment projects in Bac Ninh province tends to decrease sharply from 2020, the total investment capital in these two years is not low. In 2020, the total new domestic investment capital is 8,506 billion VND (lower than 2017 with the total value of 9,832 billion VND). In 2021, this figure is

22,642.6 billion dong, just lower than the highest investment level in the period of 2017-2021 (25,100 billion dong) and higher than all other years. The adjusted capital increase in 2021 is also the highest in the whole period and the number of projects withdrawn is much lower in 2018. Thus, the number of domestic investment projects in Bac Ninh province during the period tends to decrease the impact of Covid 19. Enterprises decided to adjust capital increase to overcome difficulties of recession instead of divestment or stopping operations.

In 2021, the total new FDI value in Bac Ninh province are the largest in the period from 2017 to 2021 with 1,204 million USD. However, the number of foreign direct investment licenses revoked is also the highest in 2021 with 45 projects.

2.1.2. Investment size and structure

During the period from 2017 to 2021, the total investment capital in Bac Ninh province tends to decrease year by year. The largest amount of investment capital in 2017 was 118.89 trillion VND and in 2021 it was only 58.2 trillion VND.

Table 2. Total investment capital in Bac Ninh province from 2017 to 2021

Unit: Trillion VND

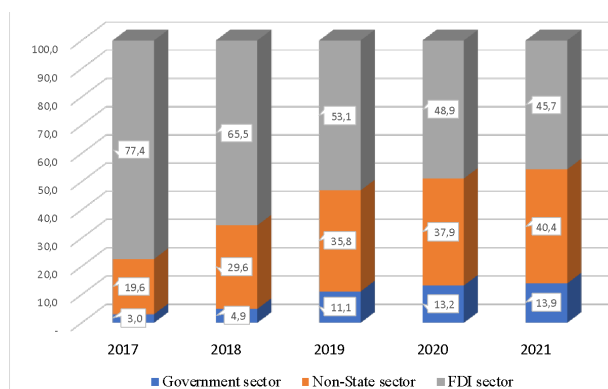
Content	2017	2018	2019	2020	Estimate 2021
Total	118,89	84,12	72,95	69,57	58,2
Government sector	3,57	4,11	8,09	8,47	8,11
Non-State sector	23,38	24,88	26,13	26,41	23,51
FDI sector	91,94	55,13	38,73	34,69	26,58

Source: Bac Ninh Statistical Office (2022)

However, the level of investment capital volatility differs between economic sectors. State capital had a strong increase during this time. In 2017, the state capital was only 3.57 trillion dong, by 2020 it has increased to 8.47 trillion dong, only a slight decrease in 2021 to 8.11 trillion dong. The amount of capital in the non-state sector tends to increase in the 2017-2020 period, but it is not too large. Only the total realized FDI in the period 2017-2021 saw a sharp decline. In 2017, the total capital in the FDI sector was 91.94 trillion VND, but by 2021 it will only be 26.58 trillion VND (a decrease of nearly 70% compared to 2017).

Compared with the table 1, it can be seen that the total investment capital realized in the FDI sector is reduced from the active projects. There are 2 reasons for this. The first is that Covid-19 has negatively affected the operations of businesses. The second is that old projects have expired. This result also shows that attracting foreign direct investment into the Bac Ninh province is a very good thing because it creates a very strong amount of capital for socio-economic development of the province, especially in the periods when the economy is still at a low level.

Figure 1. Investment capital structure of economic sectors in Bac Ninh from 2017 to 2021 (%)



Source: Bac Ninh Statistical Office (2022)

The investment capital structure of economic sectors in Bac Ninh province in the period from 2017 to 2021 has changed quite a bit. If in 2017, the capital of the State sector accounted for only 3%, by 2021 it had increased to 13.9%. Meanwhile, the proportion of FDI tends to decrease quite sharply. In 2017, FDI accounted for 77.4% of the total investment capital of the province, but 2021 it was only be 45.7% (decreased nearly 2 times). Non-state investment capital doubled from 19.6% in 2017 to 40.4% in 2021. The change in investment capital structure shows the ability to attract FDI in Bac Ninh province has decreased, but the internal capital of the province has gradually increased.

2.2. Current situation of business development

There is a large difference between the number of enterprises actually operating and the number of enterprises registered for investment in Bac Ninh province in the period of 2017 - 2020, about more than 2,000 enterprises per year. That shows,

there are many businesses established but have not started operations.

Table 3. Performance of enterprises in Bac Ninh province from 2017 to 2020

Enterprises performance indicators	2017	2018	2019	2020
Number of enterprises registered	8.619	9.915	11.349	12.769
Number of active enterprises	6.837	7.687	9.829	10.123
Average density of active enterprises per 1000 people	7,1	7,9	8,2	9,0
Average density of active enterprises per 1000 people of working age	14,8	16,9	17,2	18,2
Number of newly established enterprises	1950	2041	2405	2390
Registered capital of newly established enterprises	13.934	18.146	22.231	24.122
Number of enterprises returning to operation	333	396	545	530
Number of enterprises temporarily suspending business	309	421	480	711
Number of enterprises dissolved	625	483	223	244

Source: Vietnam Business White Paper 2021

The density of active enterprises per 1000 inhabitants of Bac Ninh province increases steadily every year. In 2020, there were 9, higher than the national average of 8.3 but still lower than the Red River Delta average of 11.1. Similarly, the average density of active enterprises per 1000 people of working age in Bac Ninh province is also quite high and gradually increases every year in the period 2017 - 2020. In 2020, this number is 18.2 higher than the national average (16.8). It can be seen that, although Bac Ninh is the smallest province in Vietnam, the level of investment attraction and the number of active enterprises is quite high.

However, the number of enterprises suspending business is quite large and increases sharply at the end of the period 2017 - 2020. In 2020, the number of enterprises suspending business is 711, 2.3 times higher than 2017. This is the negative effects of the Covid 19 pandemic on business operations. The number of dissolved enterprises was not much at the end of the period. In 2020, the number of dissolved enterprises is only 244 (equivalent to 40% of 2017). The impact of the Covid-19 pandemic has strongly, but but we can still hope for a recovery in the coming years. The number of

enterprises returning to operation in 2020 is also 1.59 times higher than in 2017.

3. Evaluating investments for social and economic development in Bac Ninh province

3.1. Efficiency of investments for social and economic development in Bac Ninh province

3.1.1. Enterprises' performance

Enterprises' performance in Bac Ninh province tends to decrease in the period 2017 -2020. Labor efficiency in 2017 was 29.9 times and increased to 30.8 times in 2018 but then gradually decreased in the following years. In 2020, it was only 26.1 times. That is, with 1 VND spent on employees, the business only earns 26.1 VND in revenue.

Table 4. Enterprises' Performance in Bac Ninh province from 2017 to 2020

Criteria for evaluating business performance	Unit	2017	2018	2019	2020
Labor efficiency	Time	29,9	30,8	27,9	26,1
Pre - tax profit/net revenue ratio	%	7,10	5,72	4,95	4,17
Pre-tax profit/capital ratio	%	11,02	9,79	7,63	7,04
Capital turnover index of enterprises	Time	1,86	1,80	1,60	1,69

Source: Vietnam Business White Paper 2021

Considering the performance of each group of enterprises, it can be seen that the investment performance of state-owned enterprises is quite low. The ratio of pre-tax profit on net revenue tends to decrease year by year in the period 2017 - 2020. This ratio is much lower than the common level of all enterprises in Bac Ninh province. In 2017, the pre-tax profit on net revenue ratio of the public sector was 2.59 and in 2020 it has decreased to 1.11.

Table 5. Investment performance of state-owned enterprises in Bac Ninh province from 2017 to 2020

Criteria for evaluating enterprise performance	Unit	2017	2018	2019	2020
Enterprise capital	Billions dong	6.504	6.504	4.205	3.920
Net Revenue	Billions dong	3.713	3.962	2.132	1.895
Pre-tax profit	Billions dong	96	65	23	21
Pre-tax profit/ Net revenue ratio	%	2,59	1,64	1,08	1,11
Pre-tax profit /capital ratio	%	1,48	1,00	0,55	0,54

Source: Vietnam Business White Paper 2021

The ratio of pre-tax return on capital of the State sector is the same. In 2017, this number was 1.48 and gradually decreased by 2020 to only 0.54. That shows that 1VND spent by state-owned enterprises earns 0.54 VND profit in 2020.

Table 6. Investment performance of non-state enterprises in Bac Ninh province from 2017 to 2020

Criteria for evaluating enterprises performance	Unit	2017	2018	2019	2020
Enterprise capital	Billions dong	204.603	204.603	253.558	242.750
Net Revenue	Billions dong	163.672	201.024	229.518	265.639
Pre-tax profit	Billions dong	2.060	2.376	1.254	1.050
Pre-tax profit / Net revenue ratio	%	1,26	1,18	0,55	0,40
Pre-tax profit / capital ratio	%	1,01	1,16	0,49	0,43

Source: Vietnam Business White Paper 2021

The performance of non-state enterprises in Bac Ninh province is even lower than that of the state sector. The pre-tax profit /net revenue ratio in this sector is less than half that of the state sector. In 2017, one revenue dong brought only 1.26 dong profit. But in 2020, one revenue dong was bringing only 0.4 dong profit.

Pre-tax profit /capital ratio is also lower than the state sector all years in the period 2017 - 2020. In 2020, this figure is only 0.43%, lower than the lowest level of the State sector.

In contrast, the investment performance of FDI enterprises is quite high, although it also tends to decrease year by year in the period 2017 - 2020. All indicators are higher than the average of the whole enterprise. In 2017, the Pre-tax profit /net revenue ratio was 8.09 and in 2020 it will decrease to only 5.

Profit before tax/capital ratio of the FDI sector is also very high. In 2017, this index was 13.79% (13 times higher than the non-state sector) and 9.64 in 2020 (22 times higher than the non-state sector).

Thus, it can be seen that the investment performance of different groups of enterprises is very different. If the state and non-state sectors have low investment performance, the FDI sector has high operating performance.

Table 7. Investment performance of FDI enterprises in Bac Ninh province from 2017 to 2020

Criteria for evaluating enterprises performance	Unit	2017	2018	2019	2020
Enterprise capital	Billions dong	590.417	590.417	623.053	626.166
Net Revenue	Billions dong	1.006.950	1.167.114	1.127.217	1.207.424
Pre-tax profit	Billions dong	81.413	75.994	65.952	60.370
Pre-tax profit / Net revenue ratio	%	8,09	6,51	5,85	5,00
Pre-tax profit / capital ratio	%	13,79	12,87	10,59	9,64

Source: Vietnam Business White Paper 2021

3.1.2. Using investment capital

Investment capital is divided into three economic sectors: agriculture, forestry and fishery, industry - construction and services. In which, the total number of operating enterprises tends to increase every year due to the addition of newly established enterprises. In 2017, the whole province of Bac Ninh had 6,837 operating enterprises, by 2020, this number has increased to 10,128 enterprises (an increase of 1.48 times).

Table 8. Number of operating enterprises in Bac Ninh province in the period 2017 - 2020

Economics sector	2017	2018	2019	2020
Agriculture, forestry and fishery	26	28	47	49
Industry and construction	3.161	3.509	4.063	4.597
Service	3.650	4.150	4.819	5.477
Total	6.837	7.687	8.929	10.123

Source: Vietnam Business White Paper 2021

The fastest growth rate of enterprises is in the field of agriculture, forestry and fishery

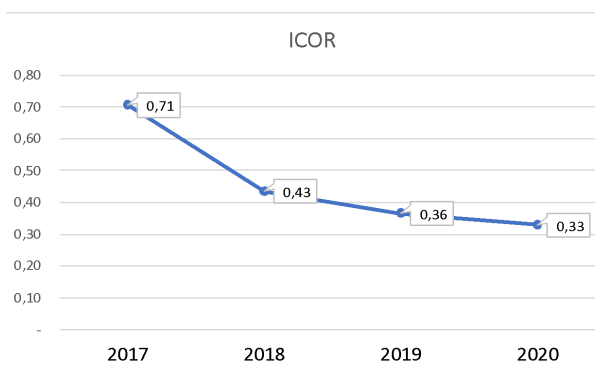
with 1.88 times in 2020 compared to 2017. The lowest enterprise growth rate is in industry and construction with 1.45 times in 2020 compared to 2017. However, this is the industry that accounts for a large number of enterprises. In 2020, the number of enterprises in the industrial and construction sectors is 4,597.

The service sector in Bac Ninh province attracts many enterprises to invest. In 2017, the total number of service enterprises was 3,650. This number in 2020 has reached 5,477. The service sector also has an increase rate of 1.5 times in 2020 compared to 2017.

3.1.3. Effective use of investment capital

The ICOR coefficient (shows the efficiency use of investment capital) in Bac Ninh province is quite good but tends to decrease in the period of 2017 - 2020. In 2017, on average, investors spent 0.71 VND, bringing 1 GRDP up. But in 2020, investors only need to spend 0.33 dong, bringing 1 GRDP up. This shows that investment capital in Bac Ninh province is used quite effectively and economically.

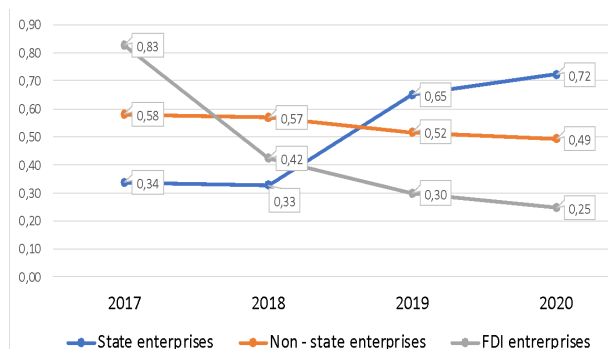
Figure 2. Efficiency of investment capital in Bac Ninh province from 2017 to 2020



Source: Bac Ninh Statistical Office (2021), author's calculation

Looking at the efficiency use of investment capital in each economic sector in Bac Ninh province in the period 2017 - 2020, there is a very clear difference. In the state sector, in 2017-2018, investors only had to spend 0.33 VND to bring 1 GRDP, but in 2019 and 2020, the ICOR index tends to increase, showing investment efficiency decrease. In 2020, the ICOR index of this area has increased to 0.72 but not yet high.

Figure 3. Efficiency of investment capital by economic sector in Bac Ninh province from 2017 to 2020



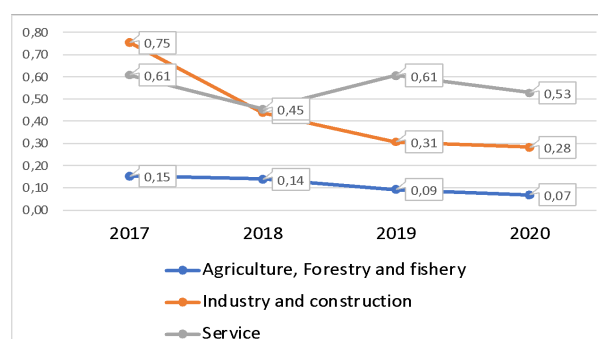
Source: Bac Ninh Statistical Office (2021), author's calculation

Meanwhile, the ICOR index in non-state enterprises and foreign-invested enterprises both tended to decrease. The decrease of the non-state enterprise sector is not much, it is almost stable. In 2017, the ICOR index in this area was 0.58, by 2020 this index will be 0.49. But the ICOR index in the FDI sector decreased markedly. In 2017, on average, each FDI enterprise had to spend 0.83 VND to increase 1 VND GRDP, by 2020 it will only be 0.25 VND. FDI enterprises in Bac Ninh province have very high efficiency use of investment capital.

In 2017, the ICOR index in the state sector is the lowest but in the FDI sector is the highest. In 2020 there was a reversal.

Considering the efficiency use of investment capital by sectors, the ICOR index in the agriculture, forestry and fishery is the lowest and quite stable. In 2017, the ICOR index in the agricultural sector was 0.15, then by 2020 it was only 0.07. That shows that the investment efficiency in the agriculture, forestry and fishery sector is very high. Investors often spend a very small amount (0.07 VND) to have an extra 1 VND GRDP. The agriculture, forestry and fishery sector in Bac Ninh province has the advantage of natural conditions. Although the investment efficiency is high, it is not a strength nor is it an area that is focused on attracting investment like other sectors in the economy.

Figure 4. Efficiency of investment capital by industry sector in Bac Ninh province from 2017 to 2020



Source: Bac Ninh Statistical Office (2021), author's calculation

The ICOR index in industry and construction also tends to decrease year by year. In 2017, investment efficiency in industry and construction sector is the lowest (ICOR is 0.75). But in 2020 industry and construction sector was the second highest investment efficiency with an ICOR index of 0.28. Investment efficiency in the service sector fluctuates the most. In 2017, the ICOR index was 0.61, falling to 0.45 in 2018 but then rising again. In 2020, the ICOR index of this sector is 0.53. This is also the highest ICOR index of all economic sectors.

3.2. Limitations of investments for social and economic development in Bac Ninh province

Firstly, the amount of investment capital in Bac Ninh province is on a decreasing trend. Total investment capital in 2021 has decreased by 52% compared to 2017. In which, the structure of FDI capital decreased sharply in the period from 2017 to 2021.

Second, the enterprise performance is also decreasing. Employee efficiency in 2020 decreased by 3.8 times compared to 2017. ROA and ROE ratios of enterprises both decreased sharply every year. The index in 2020 compared to 2017 decreased by about 1.5 times.

Third, the effective use of investment capital of the state sector has been sharply reduced. A doubling of the ICOR shows that the sector is losing more and more capital to reach its current gross product value.

Fourth, the efficiency use of investment capital is different among economic sectors. The efficiency

use of investment capital in the agriculture, forestry and fishery sector is quite high, in the industry sector increase but in the service sector sharp decrease.

3.3. Causes of limitations

3.3.1. Objective reasons

In 2019-2021, the economy suffered many adverse impacts from the world market, high input material prices affected production and business due to the negative effects of the Covid 19 pandemic caused most countries in the world to halt production, and it became difficult to transport goods between countries.

Although there have been efforts in infrastructure development, this field has not been able to keep up with the high growth rate of the economy and in general is still weak compared to other provinces in the region such as Hanoi, Hai Phong, etc. Room, Hai Duong...

The advantage of an abundant young labor force has not been fully promoted because the training has not met the requirements. Along with the rapid growth of FDI inflows, there has been a shortage of skilled workers and management positions.

Competition to attract foreign direct investment capital continues to become more and more fierce and fierce among provinces, regions and throughout the country.

3.3.2. Subjective reasons

Although the investment environment of the province has improved, the breakthrough progress has been slow compared to other provinces.

Investment promotion has not been diversified in form, so it has not achieved the expected results; funding for investment promotion is small. The promotion of the image of Bac Ninh province in general and the industrial zones of the province is not strong.

4. Suggestions to enhance investment attraction for social and economic development in Bac Ninh province

Firstly, improve provincial competitiveness: The People's Committee of Bac Ninh province continues to propagate the significance of the PCI index in socio-economic development. Bac Ninh needs to attach the responsibility of the head in

handling the enterprise's recommendations for the investment activities of the enterprise. Reform initiatives should be promoted at the departmental, sectoral and district levels.

Secondly, strengthen and improve the quality of investment promotion: Investment promotion implementation must focus on the goal, closely follow the practical needs of the province. Make a list of projects and partners to attract investment. It is necessary to accelerate the process of consolidating the investment promotion organization system in the direction of increasing the number of staff engaged in investment promotion in both quantity and quality. Actively organize investment promotion conferences in the province. It is necessary to focus on investing resources to develop a system that provides information to investors. Completing and updating information continuously on the official website of the province calling for investment. Strengthen market research and investment partners.

Thirdly, speed up the construction of technical infrastructure for enterprises development. In the coming time, the province needs to focus on continuing to perfect and synchronously develop the technical infrastructure system in existing industrial parks and industrial parks that have been approved for construction such as traffic systems, road, electricity, water supply, communication, waste treatment,... The province needs to continue to invest in large repair capital to renovate and upgrade the power grid, and complete the water supply system for production of the enterprise. It is necessary to speed up the progress of site clearance compensation and land handover to investors. Concentrate and mobilize capital for the improvement of the transportation system, in which special attention is paid to the traffic system, the main roads connecting Bac Ninh with Hanoi, Hai Phong, Noi Bai, Hai Duong, Hung Yen. Continue to develop and complete the planning, especially the land use planning.

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