THE MAIN FACTORS AFFECTING THE ATTRACTING OF FDI ENTERPRISES IN THE CONTEXT OF ASEAN INTEGRATIONS: A CASE OF DONG NAI PROVINCE

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ABSTRACT

Foreign direct investment (FDI) is an investment made by a company or individual in one country in business interests in another country, in the form of either establishing business operations or acquiring business assets in the other country, such as ownership or controlling interest in a foreign company. Foreign direct investments are distinguished from portfolio investments in which an investor merely purchases equities of foreign-based companies. The key feature of foreign direct investment is that it is an investment made that establishes either effective control of, or at least substantial influence over, the decision making of a foreign business.

The research results showed that there were 150 FDI enterprises that interviewed and answered about 15 questions. The Data collected from 10/02/2016 to 15/10/2016 in Dong Nai province. The researcher had analyzed KMO test, the result of KMO analysis used for multiple regression analysis. There are three components following: economic; political and social environment affecting the attracting of FDI enterprises with significance level of five percent. The research results were processed from SPSS 20.0 software. The parameters of the model estimated by Least - Squares Method tested for the model assumption with 5% significance level.

Keywords: *The FDI, the attracting, enterprises and Dong Nai University.*

Introduction

A key component of economic globalization, foreign direct investment (FDI) plays a special role in stimulating the growth of Dong Nai province of competitiveness. Dong Nai province has the total newly registered capital and project capital increase first 7 months of 2016 to the date of 07/19/2016 is 1,341 million, up 20 % compared to the same period of 2015 (1,117 million dollars), reaching 134% of annual plan. In this new level 58 projects with a total capital of 724 million USD (Number of new projects with 13 projects invested over $ 10 million, invested 607 million registered accounts for 84% of total investment new); 44 projects with total investment capital adjustment increased by 617 million dollars (Number of capital projects, 18 projects invested over $ 10 million, registered capital increased by 563.5 million US dollars accounted for 91, 2% of the total capital increase).

In the field of investment projects attracted Dong Nai province in line with the policy of the provincial investment is attracted selectively, preferred high-tech projects, employment of skilled, project support industrial production, environmentally friendly project... The investment project adjust content as diverse as investors adjusted, additional operational objectives, scaling projects, increased investment and capital...

About National: foreign investors investing in Dong Nai are mainly in Asian countries, the majority of the project is still in Korea, Japan, Taiwan, Thailand, Brunei Darussalam. In which 25 South Korean investment projects with total registered capital of 125 million USD (43% of the total number of projects and accounted for 17.3% of total investment projects to attract new FDI); Japan 11 projects with a total registered capital of 52 million USD (19% of the total number of projects and accounted for 7.2% of total investment projects to attract new FDI) and Taiwan 06 projects total registered capital of 35.5 million USD (10.3% of the total number of projects and accounted for 5% of the total investment capital of FDI projects attracted new).

Until dated 19.07.2016 in the province there are 1,613 projects with a total investment of US $ 29155.08 million, of which some projects are 1,223 valid projects 24585.71 million total; Project 390 total withdrawal 4569.37 million. FDI projects by investors from 44 countries and regions, led by South Korea, Taiwan and Japan. The above mentioned things and combination with the practical requirements of the teaching career, the author had boldly chosen the theme: "***The main factors affecting the attracting of FDI enterprises in the context of ASEAN integrations: a case of Dong Nai province***". As a paper for researching in the enhancing the attracting of FDI enterprises in the future.

Literature review

According to Grazia Ietto - Gillies (2012), prior to Stephen Hymer's theory regarding direct investment in the 1960s, the reasons behind Foreign Direct Investment and Multinational Corporations were explained by neoclassical economics based on macro economic principles. These theories were based on the classical theory of trade in which the motive behind trade was a result of the difference in the costs of production of goods between two countries, focusing on the low cost of production as a motive for a firm's foreign activity. For example, Joe S. Bain only explained the internationalization challenge through three main principles: absolute cost advantages, product differentiation advantages and economies of scale. Furthermore, the neoclassical theories were created under the assumption of the existence of perfect competition. Intrigued by the motivations behind large foreign investments made by corporations from the United States of America, Hymer developed a framework that went beyond the existing theories, explaining

why this phenomenon occurred, since he considered that the previously mentioned theories could not explain foreign investment and its motivations.

Facing the challenges of his predecessors, Hymer focused his theory on filling the gaps regarding international investment. The theory proposed by the author approaches international investment from a different and more firm-specific point of view. As opposed to traditional macroeconomics-based theories of investment, Hymer states that there is a difference between mere capital investment, otherwise known as portfolio investment, and direct investment. The difference between the two, which will become the cornerstone of his whole theoretical framework, is the issue of control, meaning that with direct investment firms are able to obtain a greater level of control than with portfolio investment. Furthermore, Hymer proceeds to criticize the neoclassical theories, stating that the theory of capital movements cannot explain international production. Moreover, he clarifies that FDI is not necessarily a movement of funds from a home country to a host country, and that it is concentrated on particular industries within many countries. In contrast, if interest rates were the main motive for international investment, FDI would include many industries within fewer countries.

Another observation made by Hymer went against what was maintained by the neoclassical theories: foreign direct investment is not limited to investment of excess profits abroad. In fact, foreign direct investment can be financed through loans obtained in the host country, payments in exchange for equity (patents, technology, machinery etc.), and other methods. The previous criticisms, along with assuming market imperfections, led Hymer to propose the three main determinants of foreign direct investment:

Firm-specific advantages: Once domestic investment was exhausted, a firm could exploit its advantages linked to market imperfections, which could provide the firm with market power and competitive advantage. Further studies attempted to explain how firms could monetize these advantages in the form of licenses.

Removal of conflicts: conflict arises if a firm is already operating in foreign market or looking to expand its operations within the same market. He proposes that the solution for this hurdle arose in the form of collusion, sharing the market with rivals or attempting to acquire a direct control of production. However, it must be taken into account that a reduction in conflict through acquisition of control of operations will increase the market imperfections.

Propensity to formulate an internationalization strategy to mitigate risk: According to his position, firms are characterized with 3 levels of decision making: the day to day supervision, management decision coordination and long term strategy planning and decision making. The extent to which a company can mitigate risk depends on how well a firm can formulate an internationalization strategy taking these levels of decision into account.

Hymer's importance in the field of International Business and Foreign Direct Investment stems from him being the first to theorize about the existence of Multinational Enterprises (MNE) and the reasons behind Foreign Direct Investment (FDI) beyond macroeconomic principles, his influence on later scholars and theories in International Business, such as the OLI (Ownership, Location and Internationalization) theory by John Dunning and Christos Pitelis which focuses more on transaction costs. Moreover, "the efficiency-value creation component of FDI and MNE activity was further strengthened by two other major scholarly developments in the 1990s: the resource-based (RBV) and evolutionary theories" (Dunning & Pitelis, 2008) [5] In addition, some of his predictions later materialized, for example the power of supranational bodies such as IMF or the World Bank that increases inequalities (Dunning & Piletis, 2008).

Research method

After preliminary investigations, formal research is done by using quantitative methods questionnaire survey of 150 FDI enterprises that interviewed and answered about 15 questions. The Data collected from 10/02/2016 to 15/10/2016 in Dong Nai province. The reason tested measurement models, model and test research hypotheses. Data collected were tested by the reliability index (excluding variables with correlation coefficients lower < 0.30 and variable coefficient Cronbach's alpha < 0.60), factor analysis explored (remove the variable low load factor < 0.50). The hypothesis was tested through multiple regression analysis with linear Enter method. In addition, the questionnaires were sent to 150 FDI enterprises that interviewed and answered about 15 questions. The Data collected from 10/02/2016 to 15/10/2016 in Dong Nai province. But it is obvious that there are different types of enterprises. This also gives evidence to the fact that the results of the study can be generalized to portray the 150 FDI enterprises. Multiple linear regression was used following:
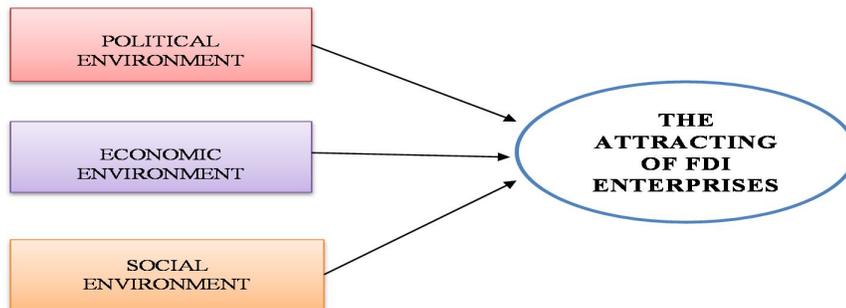
Research model for the main factors affecting the attracting of FDI enterprises

$Y = \beta_0 + \beta_1 X1 + \beta_2 X2 + \beta_3 X3$

Y: the attracting of FDI enterprises.

$\beta_0 - \beta_3$: Regression coefficients.

X1 – X3: Factors affecting the attracting of FDI enterprises. X1: Political environment; X2: Economic environment and X3: Social environment.

Three factors have positive relation to the attracting of FDI enterprises.

Research results

Table 1: Descriptive Statistics for the main factors affecting the attracting of FDI enterprises

1. Political Environment (PE)	**Std. Deviation**	**Cronbach's alpha**
PE1: Law and social norms	1.00086	
PE2: Regulation enforcement	1.00882	
PE3: FDI incentives related policies	.99309	0.914
PE4: Education and human capitals	.96191	
PE5: Political stability	1.00086	
2. Economic Environment (EE)	**Std. Deviation**	**Cronbach's alpha**
EE1: Labor costs and productivity	.95019	
EE2: Macro economic stability	1.06204	
EE3: Economic growth rate	1.26310	0.918
EE4: Inflation	1.29879	
3. Social Environment (SE)	**Std. Deviation**	**Cronbach's alpha**
SE1: Natural resources	1.45338	
SE2: Human resources	1.36226	0.922
SE3: Infrastructure	1.32303	
4. **The attracting of FDI enterprises (AF)**	**Std. Deviation**	**Cronbach's alpha**
AF1: FDI enterprises are very pleased with the investment environment of Dong Nai province	.60474	
AF2: FDI enterprises will continue investing capital in Dong Nai province in the future	.73377	0.670
AF3: FDI enterprises will introduce my relatives and friends to invest capital in Dong Nai province in the future	.68434	

(Source: The researcher's collecting data and SPSS)

Table 1 showed there were 15 questions for 150 FDI enterprises that interviewed and answered. The Data collected from 10/02/2016 to 15/10/2016 in Dong Nai province. 1: Strongly disagreement; 2: Disagreement; 3: Normal; 4: Agreement and 5: Strongly agreement. The table 1 revealed that the result of the descriptive statistics from the demography following: the results showed 126 managers presented FDI enterprises processed. The results showed that max value is 5, minimum is 1, mean is around 3.0 and Std. Deviation is around 1.0. And Std. Error is lower 1.00. Besides, the table 1 showed that the Cronbach's alpha coefficient if the removal variables is more than 0.6. In addition, the correlation coefficient of the total variations is more than 0.3. Therefore, all of 15 items used for the next research.

Cronbach's alpha is the most common measure of internal consistency ("reliability"). It is most commonly used when you have multiple Likert questions in a survey/questionnaire that form a scale and you wish to determine if the scale is reliable. If you are concerned with inter-rater reliability, we also have a guide on using Cohen's (κ) kappa that you might find useful.

Each question was a 5-point Likert item from "strongly disagree" to "strongly agree". In order to understand whether the questions in this questionnaire all reliably measure the same latent variable (feeling of safety) (so a Likert scale could be constructed), a Cronbach's alpha was run on a sample size of 150 managers presented FDI enterprises (126 samples processed by SPSS 20.0).

Table 2: KMO and Bartlett's Test for the main factors affecting the attracting of FDI enterprises

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.764
Bartlett's Test of Sphericity	Approx. Chi-Square	1200.790
	df	66
	Sig.	.000

Total Variance Explained

Com.	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings[a]
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total
1	3.811	31.760	31.760	3.811	31.760	31.760	3.772
2	3.389	28.243	60.003	3.389	28.243	60.003	3.306
3	2.456	20.466	80.469	2.456	20.466	80.469	2.684
4	.497	4.141	84.610				
5	.402	3.349	87.959				
6	.380	3.164	91.123				
7	.276	2.302	93.425				
8	.242	2.015	95.440				
9	.184	1.536	96.976				
10	.160	1.331	98.307				
11	.127	1.059	99.366				
12	.076	.634	100.000				

Extraction Method: Principal Component Analysis.

a. When components are correlated, sums of squared loadings cannot be added to obtain a total variance.

(Source: The researcher's collecting data and SPSS)

Table 2 showed that Kaiser-Meyer-Olkin Measure of Sampling Adequacy was statistically significant and high data reliability (KMO = 0.764 > 0.6). This result was very good for data analysis. Table 2 showed that Cumulative percent was statistically significant and high data reliability was 80.469 % (> 60 %). This Data is very good for the next analysis.

Structure Matrix for the main factors affecting the attracting of FDI enterprises

Table 3: Structure Matrix for the main factors affecting the attracting of FDI enterprises

Pattern Matrix[a]

Code	Component		
	1	2	3
PE3	.899		
PE2	.899		
PE4	.884		
PE5	.843		
PE1	.786		
EE1		.926	
EE3		.920	
EE4		.910	
EE2		.846	
SE1			.967
SE2			.913
SE3			.905

(Source: The researcher's collecting data and SPSS)

    Table 3 showed that Structure Matrix for the Factors affecting the attracting of FDI enterprises had 3 components: Component (X1): Political environment; Component (X2): Economic environment and Component (X3): Social environment. Y: the attracting of FDI enterprises.

Table 4: Regression Model Summary analysis about the main factors affecting the attracting of FDI enterprises

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.771[a]	.594	.584	.64508396	1.656

a. Predictors: (Constant), X3, X1, X2
b. Dependent Variable: Y
c. Predictors: (Constant), X3, X2, X1

Bootstrap for Model Summary

Model	Durbin-Watson	Bootstrap[a]			
		Bias	Std. Error	95% Confidence Interval	
				Lower	Upper
1	1.656	-.497	.171	.829	1.494

a. Unless otherwise noted, bootstrap results are based on 1000 bootstrap samples

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	74.232	3	24.744	59.462	.000[b]
	Residual	50.768	122	.416		
	Total	125.000	125			

a. Dependent Variable: Y
b. Predictors: (Constant), X3, X1, X2
c. Predictors: (Constant), X3, X2, X1

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	8.089E-017	.057		.000	1.000		
	X1	.454	.058	.454	7.836	.000	.993	1.007
	X2	.464	.058	.464	7.990	.000	.988	1.013
	X3	.381	.058	.381	6.551	.000	.984	1.016

a. Dependent Variable: Y

Bootstrap for Coefficients

Model		B	Bootstrap[a]				
			Bias	Std. Error	Sig. (2-tailed)	95% Confidence Interval	
						Lower	Upper
1	(Constant)	8.089E-017	-.002	.057	1.000	-.117	.110
	X1	.454	-9.299E-005	.060	.001	.334	.563
	X2	.464	.001	.056	.001	.353	.574
	X3	.381	-.002	.050	.001	.279	.475

a. Unless otherwise noted, bootstrap results are based on 1000 bootstrap samples

(Source: The researcher's collecting data and SPSS)

　　　Table 4 showed that Adjusted R Square was statistically significant and high data reliability. In addition, Adjusted R Square reached 58.4 percent. The results showed that all t value > 2 was statistically significant and high data reliability. Besides, the regression coefficients were positive. This showed that the effects of independent variables in the same direction with the attracting of FDI enterprises with significance level of 5 percent.

Multicollinearity (MC): Variance Inflation Factor (VIF) and Tolerance are two measures that can guide a researcher in identifying MC. Before developing the concepts, it should be noted that the variance of the OLS estimator for a typical regression coefficient shown to be the following $VIF < 10$ $(1 < VIF < 10)$. This showed that there was not Multicollinearity. The factors of X, X2 and X3 affecting the attracting of FDI enterprises with significance level of 5 percent, especially, Economic environment is the most important of three factors. In addition, the bootstrap results are based on 1000 bootstrap samples. The bias of the bootstrap results is very small, nearly 0.00.

Conclusions and recommendations
Conclusions

Dong Nai province determining the importance of attracting foreign investment in economic development - social, poverty reduction, the first 06 months of 2016, Dong Nai province have been many attempts to contact progress, calling for investment such as investment promotion organizations with corporations, businesses in Busan and Seoul (Korea); exchange and cooperation in the production of glass, crystal with localities in the Czech Republic, USA,... Besides, Dong Nai province has also held working sessions with big Group, Group Finance Bombay (India), POSCO, Dohwa Corporation (Korea), the delegation of the Beijing Representative Office Taipei Tourism and Culture in Hanoi and... Taiwan enterprises to introduce and discuss opportunities for cooperation and investment…

The main purpose of this study is to evaluate the attracting of FDI enterprises. Specifically, this paper finds out the main factor affecting the attracting of FDI enterprises. The research results showed that there were 150 FDI enterprises (150 managers of FDI enterprises but 126 samples processed) that interviewed and answered about 15 questions. The Data collected from 10/02/2016 to 15/10/2016 in Dong Nai province. The researcher had analyzed KMO test, the result of KMO analysis used for multiple regression analysis. There are three components following: economic; political and social environment affecting the attracting of FDI enterprises with significance level of five percent. The research results were processed from SPSS 20.0 software.

Recommendations
Recommendation for Political environment

Dong Nai should continue "the government contracts with enterprises", to attract foreign investment in Dong Nai Province in the future and continue to exceed the plan, in line with the motto attract projects in the field of high technology, supporting industries, clean industries, big investment. Dong Nai always wants the business to expand production, especially the development of priority sectors. Accordingly, plans to attract FDI in Dong Nai Industrial Zones proposed.

Recommendation for Economic environment

Dong Nai province should identify undertakings do not attract investment by issuing its own deals outside the current legal provisions that are consistent with the motto of "government business travel with" good environmental protection live, constantly improve the investment environment and business. Especially, Dong Nai province should be the improved attitude of official duties of officials and civil servants to the province's investment environment better. Accordingly, the success does not lie in the number of projects or a large amount of capital investment, which is key to attracting investment in industries aligned to the economic restructuring, to help the sustainable development of the province future.

Recommendation for Social environment

Dong Nai province should be to improve the quality of investment, in recent years the province has actively connected closely with the Counselor, Consulate of Vietnam in foreign countries, organizations and business associations in order to capture foreign investment demand of large corporations, the potential investors to promotion, timely access. In addition, direct provincial leaders met with foreign enterprises, organizations and investment promotion trip in Japan, Korea, Taiwan... introduce the policy, the policy of openness of the province and called investors in a number of key areas.

Finally, the above-mentioned things, the next research should survey more than 150 FDI Enterprises in Vietnam. This helps the data that is more significant. Because the study topic is very wide as FDI in Vietnam is a big area. In scope and delimitation, we do not see a specific industry or geographical location or size of FDI that under study. Thus, the result of the study cannot be generalized as the sample size of 126 is not sufficient.

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