





# Governance and Firm Efficiency in Vietnam

# Phuoc Vu Ha

Supervisors:

Prof. Dr. Michael Frömmel

Prof. Dr. Youwei Li

Academic year: 2018 - 2019

A dissertation submitted to Ghent University in partial fulfilment of the requirements for the degree of Doctor of Business Economics









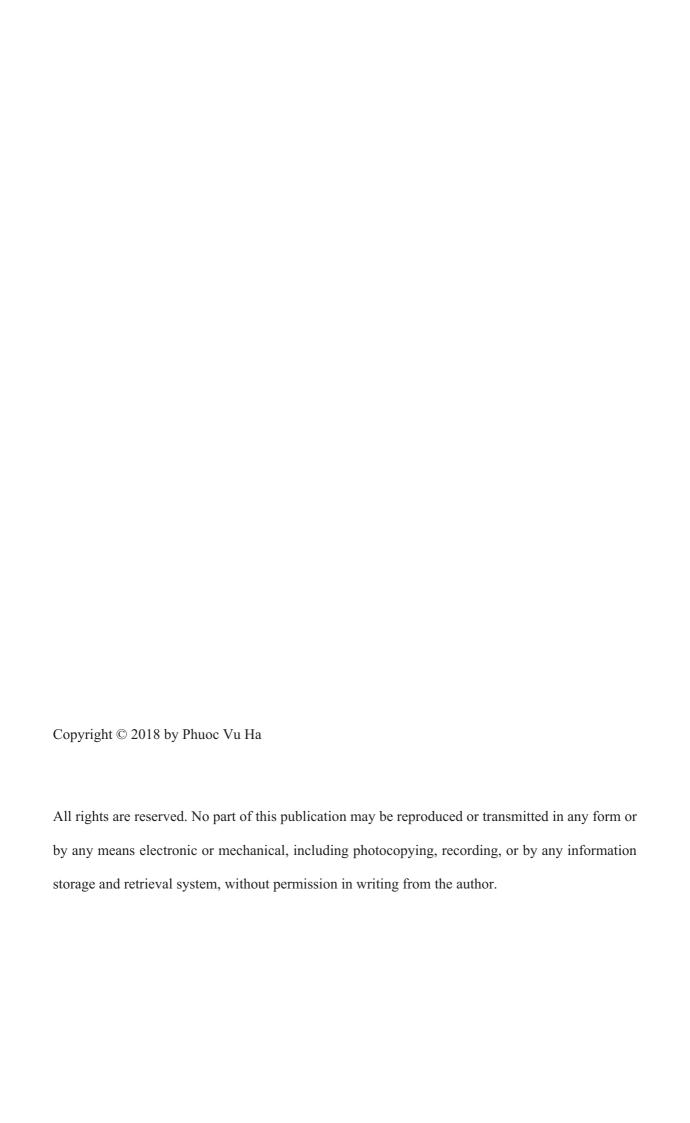
# Governance and Firm Efficiency in Vietnam

Phuoc Vu Ha

Supervisor(s): Prof. Dr. Michael Frömmel, Prof. Dr. Youwei Li

A dissertation submitted to Ghent University in partial fulfilment of the requirements for the degree of Doctor of Business Economics

Academic year: 2018 - 2019



#### **EXAMINATION BOARD**

Prof. dr. Patrick Van Kenhove

Dean of the Faculty of Economics and Business Administration

Ghent University

Prof. dr. Koen Inghelbrecht Secretary, Ghent University

Prof. dr. Michael Frömmel Supervisor, Ghent University

Prof. dr. Youwei Li Co-supervisor, Hull University

Prof. dr. Heidi Vander Bauwhede Ghent University

Prof. dr. Anouk Claes Université Saint-Louis – Brussel

Prof. dr. Ngoc Phi Anh Doan Danang University

#### **ACKNOWLEDGEMENTS**

The completion of this doctoral dissertation was possible with the support of several people, who so generously contributed to the work presented in this dissertation.

First of all, special mention goes to my enthusiastic supervisor, Professor Michael Frömmel and his family, Tanya and Darina. My PhD has been an amazing experience and I thank prof. Michael Frömmel, not only for his tremendous academic support, but also for giving me so many wonderful opportunities. His great guidance and supervision gradually built my research confidence. Besides, he and his family also cares about my life and my family in Vietnam whenever we talked, which inspired me a lot. Now I have a second home in Belgium. I also would like to thank my cosupervisor, professor Youwei Li for his guidance and supervision. His comments and suggestion during my PhD were very useful.

I would like to express my gratitude to the members of my examination committee: Koen Inghelbrecht, Heidi Vander Bauwhede, Anouk Claes, and Ngoc Phi Anh Doan, thank you for your willingness to evaluate this dissertation, the constructive feedback and helpful suggestion from examination committee during the pre-defense have significantly improved the quality of this dissertation. Koen, thank you for acting as a secretary.

I gratefully acknowledge the financial support from Vietnamese Government, which enabled me to pursue my doctoral studies at Ghent University.

To all of my colleagues and former colleagues at the Department of Economics, Ghent University, thank you so much for your support and encouragement during my PhD. Sabine and Nathalie, thank you for helping me with administrative stuffs. Xing, Linh, Wouter, Thomas, Nicolas (D), Nicolas (S), Elien, Niek, Hannes, Ronti, Raheel, Sisi, Ayrin, thank you for always supporting

me during my time at UGhent. Especially thank to Niek for translating the brief introduction into Dutch. Also for all of my colleagues, thank you for your kindness and friendship.

I am also hugely appreciative to my colleagues at Danang University of Economics for their encouragement during my journey.

With my PhD, I became acquainted to many new friends in Belgium: Trinh, Huy, Khai, Thuy, Na, Nam, Tien, My, Chi, Tri, Quan, Manh, Linh, Trang, Bac and many others: You guys make anything more like home. I also would like to thank my close friend in Vietnam who did not meet face to face much but really motivated me: Phu, Diem, Hung (T), Hung (V), Thao, Phuc and Hieu.

Profound gratitude goes to my other relatives, friends, cousins, colleagues for their continued interests and support.

Finally, the biggest thanks I would like to express is to my dear family. I want to thank and appreciate my parents and my parents in law for their unconditional love, inspiration and trust in me. I also thank my dear brother, Thien for his encouragement and taking care our parents during my PhD abroad.

Con muốn gửi lời cảm ơn đến ba Lành, mẹ Thương. Không có sự quan tâm, chăm sóc, dạy dỗ của ba mẹ đã không có con ngày hôm nay. Cảm ơn ba mẹ đã động viên, tin tưởng con trong suốt chặng đường vừa qua. Chưa bao giờ con thấy hết hãnh diện khi được làm con của ba mẹ.

Cảm ơn ba Hạnh, mẹ Nga đã sinh ra Ngọc, vợ con. Cảm ơn ba mẹ đã cho con có cơ hội được làm con của ba mẹ. Con biết ơn tình yêu thương, sự quan tâm và tin tưởng của ba mẹ đã dành cho vợ chồng con thời gian qua.

I would like to express my thanks to my wife, Ngoc for her understanding, support, encouragement and love, which helped me to finish my PhD. Once again, thank you for coming to my life and even making it much better.

It has been a long journey with many ups and downs, optimism and pessimism. This journey has not been complete without love and support from all of you. Once again, thank you so much.

## TABLE OF CONTENTS

EXAMINATION BOARD	I
ACKNOWLEDGEMENTS	III
TABLE OF CONTENTS	VII
LIST OF TABLES	XI
NEDERLANDSTALIGE SAMENVATTING	XIII
OVERVIEW OF THE DISSERTATION	1
CHAPTER 1	3
CORRUPTION, BUSINESS ENVIRONMENT AND FIRM GROWTH IN VI	ETNAM 3
ABSTRACT	4
1.1 Introduction	5
1.2 Literature review	8
1.2.1 Corruption	8
1.2.2 Corruption and firm growth	9
1.2.3 Business environment and corruption	11
1.2.4 Effects of different ownership identities	12
1.3 Methodology	13
1.3.1 Corruption and firm growth	13
1.3.2 Business environment and corruption	14
1.4 Variable measurement and data	16
1.4.1 Variable measurement	16
1.4.2 Data	17

1.4.3 Descriptive statistics	19
1.5. Data analysis results	20
1.5.1 Corruption and firm growth	20
1.5.2 Business environment and corruption	22
1.6 Conclusions	25
References	28
TABLES	31
CHAPTER 2	57
POLITICAL CONNECTION HETEROGENEITY AND FIRM VALUE II	N VIETNAM 57
ABSTRACT	58
2.1 Introduction	59
2.2 Literature review and hypotheses development	63
2.3 Data and models	68
2.3.1 Data	68
2.3.2 Models	69
2.4 Results	73
2.4.1 Descriptive statistics	73
2.4.2 Regression results	74
2.5 Conclusion	76
References	79
TABLES	87
CHAPTED 2	07

## SOCIAL CAPITAL, CREDIT CHOICES AND GROWTH IN VIETNAMESE

HOUSEHOLD BUSINESSES	97
ABSTRACT	98
3.1 Introduction	99
3.2 Literature review	101
3.2.1 Social capital	101
3.2.2 How does social capital help household businesses?	102
3.3 About Vietnamese household businesses	105
3.4 Methodology	107
3.4.1 Models and variable measurement	107
3.4.2 Data	110
3.5 Data analysis results	112
3.5.1 Social capital and credit choices	112
3.5.2 Social capital and growth	114
3.6 Conclusions	116
References	118
TABLES	123
CHAPTER 4	139
CONCLUSION	139
4.1 Summary of the individual research projects	141
4.2 Practical implications	144
4.3 Limitations and suggestions for future research	145
References	147

## LIST OF TABLES

Table 1.1 Summary of previous research results	31
Table 1.2 Variable definitions	33
Table 1.3 Sample description.	36
Table 1.4 Descriptive statistics	42
Table 1.5 Correlation coefficients	43
Table 1.6 Estimation results: Corruption and firm growth	44
Table 1.7 Estimation results: Business environment and corruption	50
Table 2.1 Variable definitions	87
Table 2.2 Variable description	88
Table 2.3 Correlation coefficients	90
Table 2.4 Estimation Results: Political connections and firm value	91
Table 3.1 Variable definitions	123
Table 3.2 Sample description	125
Table 3.3 Descriptive statistics	128
Table 3.4 Correlation coefficients	129
Table 3.5 Estimation results: Social capital and credit choices	131
Table 3.6 Estimation results: Social capital and growth	135