UNIVERSITI TEKNOLOGI MARA

FACTORS THAT INFLUENCE ECONOMIC GROWTH IN VIETNAM

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ABSTRACT

Economic growth has been identified as one of the Vietnamese government's top priorities in recent years. This study aims to identify the factors that influence economic growth in Vietnam over the period of 1997 to 2020 and used annual time series data from Vietnam over a 24-year period. Particularly in emerging countries, economic growth is the most powerful tool for eliminating poverty and enhancing quality of life. Economic growth is a measure of a country's development performance and it is influenced by a variety of factors. This is due to the fact that various factors influence the country's economic growth. Furthermore, this study used five independent variables namely foreign direct investment, inflation, exports, gross domestic investment and corruption perception index which become the reasons of bringing change in economic growth of the country. Gross domestic product has been used as a proxy for the country's economic growth as the dependent variable in this study. Moreover, the Ordinary Least Squares (OLS) regression method was used in this paper to determine the significance of the independent variables in influencing economic growth. The correlation test, heteroscedasticity test and multicollinearity test were also employed in this study. Therefore, the main objective of this paper is to identify the relationship between GDP and its independent variables (FDI, INF, EXP, GDI and CPI) using annual data starting from 1997 to 2020. Overall, the findings show that all of the independent variables had a statistically insignificant relationship with economic growth in Vietnam over the study period. In other words, the independent factors have no effect on Vietnam's economic growth.

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INTRODUCTION

1.1 Introduction

The term "growth" is commonly used by economists to describe a long-term increase in output. Indeed, growth is a key process in modern economies, based on the development of factors of production, particularly the industrial revolution, access to new mineral and energy resources, and technological advancement. As more commodities and services are produced, it changes people's life. Growth has a long-term effect on the demographics and living standards of the societies that make up the world. Economic growth, on the other hand, can serve to reduce poverty. As a result, economic growth has been and continues to be at the focus of much controversy in terms of assessing a country's well-being or economic performance. Several researchers have looked at the sources of economic growth. They employed the neoclassical production function in numerous scenarios, in which the variables capital and labour explain the variable economic growth (Bakari, 2021).

Economic growth is an important condition for countries to achieve high and sustainable economic development. It is regarded as a metric for evaluating the success of the government. As a result, many academics and policymakers have studied the factors that influence economic growth in depth (Nguyen, 2017). The success of any economy, whether emerging or developed, is influenced by important macroeconomic indicators such as output, investment, national reserve, per capita income, interest rate, exchange rate and price stability (inflation rate), among others. Previous research indicates that economic growth is the most effective indicator for decreasing poverty and raising living standards in emerging countries. For example, according to Aziz (2017), GDP growth has always been treated as a current issue that many researchers have studied. Inconsistent GDP per capita growth within a country will increase the incidence of poverty while also stifling progress in health, education, crime and, eventually, economic growth. The factors that contribute to GDP growth are relatively important in preventing socio-political instability.