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Solutions to Promote Private Investment Capital to Regain Market Confidence

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Abstract

The role of private enterprises has never been talked about as much as recently, especially some breakthrough reforms also acknowledge the importance of the private economic sector in terms of form. The change in perception is extremely important. Never before has the consensus in society when talking about the role of private enterprises been as strong as it is today. The Government's and society's recognition and evaluation of private enterprises, those who enrich society, are addressed in a more fair and equitable manner. The weakness of Vietnamese private enterprises is that they have not fully revealed their capabilities, not whether they are large or small. Because in reality, when integrating, before the market's measurement, before the screening from competition, only then will the true "tigers" appear. Therefore, reforming and reducing procedures from

ministries is only the first step. In order for Vietnam's economy to have more locomotive tigers pulling the economy forward, we must innovate more. Completely abolish the distinction between private and public, completely abolish the privileges that only state-owned enterprises have but private enterprises do not have. To recover Vietnam's economy, it is necessary to improve private sector investment and domestic consumption. Internal factors must be addressed to lay the foundation for other areas to recover. The article focuses on basic contents: theory of the private economic sector and private investment, the current situation of private investment capital in Vietnam in the period 2019-2023 and from there, propose solutions to promote push private investment capital in Vietnam in the coming time to regain market confidence.

Keywords: Investment Capital, Private Investment, Private Economy

1. Introduction

Our country's great socio-economic development achievements over more than 30 years of innovation have had a significant contribution from the private economic sector. From that vivid reality, the 12th Party Congress affirmed: "The private economy is an important driving force of the socialist-oriented market economy." This is a source of encouragement for the spirit of entrepreneurship, innovation and creativity, creating vitality and breakthroughs for strong development of our country in the coming period.

The concept of the private economy as "an important driving force of the economy" at the 12th Congress shows a breakthrough in awareness of our Party compared to the previous period, when we only considered the private economy as a in the driving forces of the economy. The fourth conference of the 12th Central Executive Committee continued to require strong development of the private economic sector in both quantity and quality, to truly become an important driving force of the economy. In recent years, the private economic sector has created dynamic development of the economy, making an important contribution to creating jobs, raising people's income, boldly making breakthroughs and taking the lead in many projects. New production and business fields. Therefore, creating favorable conditions for the private economic sector to develop is also creating conditions to release development resources in society, so that the socialist-oriented market economy can promote. Maximize its enormous potential.

The policy of developing the private economy is closely associated with the policy of developing a socialist-oriented market economy in our country. Our Party has correctly assessed that: the private economy is a product of human civilization, can exist and adapt to many different social forms; The private economy develops at a high level under capitalism, but is not identical with capitalism nor opposed to socialism. A country that relies on a market foundation for economic development may not be successful quickly, but a country without a full, modern market economy will certainly not be able to develop in the long term. The market economy itself does not bring socialism, but to build socialism successfully, we must definitely develop the market economy.

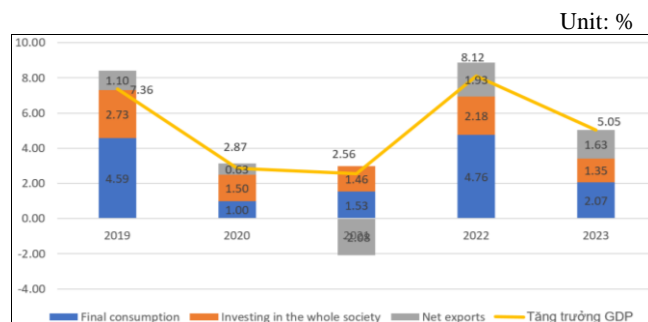
The private economy is the most important actor in the modern market economy. Although the scale of the private sector may vary in diverse market economy models, one thing is certain: without the private economic sector, there will be no market economy. In its true sense. Although not perfect, the market economy still proves to be the best mechanism for mobilizing and allocating resources, promoting creativity and development today. It is the activities of the private economic sector that help operate that mechanism. A developed private economic sector does not necessarily bring about a perfect market economy. The private economic sector by itself does not help overcome market shortcomings and "failures". However, without developing the private economy, it will not be possible to fully exploit the strengths of the market economy and not be able to fully exploit the great development resources of society.

From the spirit of the 12th Congress, it is also necessary to emphasize and clarify that the determination of the state economy to play the leading role and the private economy to be an important driving force in the economy does not imply discrimination. Which means that it depends on the function of each economic sector to determine their role. The State, with its resources, tools and policies, will play a leading role in directing and regulating the economy, ensuring major balances for the economy, controlling strategic resources, and developing the economy. Developing infrastructure and public services with large investment capital, slow circulation, not high profits, very necessary for the socio-economy that the private sector is not willing to undertake; defense - security fields, some venture investment activities. With significant population growth in recent years, a growing middle class and ever-improving disposable incomes, consumption-driven industries will continue to attract investment in recent years, including Food and Beverage, Healthcare and Pharmaceuticals, and Retail. At the same time, we also recognize that the Education and Renewable Energy sectors are also areas that will receive a lot of attention from private investors in the coming year. Thus, private investments are transactions from private or family businesses in specific areas that they believe will be profitable in the future for them.

2. Current status of private investment capital in Vietnam

The World Bank believes that in addition to external challenges, Vietnam's economy also faces a serious internal problem: private investment is at a very low level. Last year, Vietnam was affected by four overlapping external crises, including: Economic crisis, Russia-Ukraine war, rising prices and inflation.

Domestically, private investment is at a historic low, along with a slowdown in consumer spending. These are issues that take time to resolve and cannot be resolved "overnight". Besides, the real estate market continues to face many difficulties and needs many support policies.



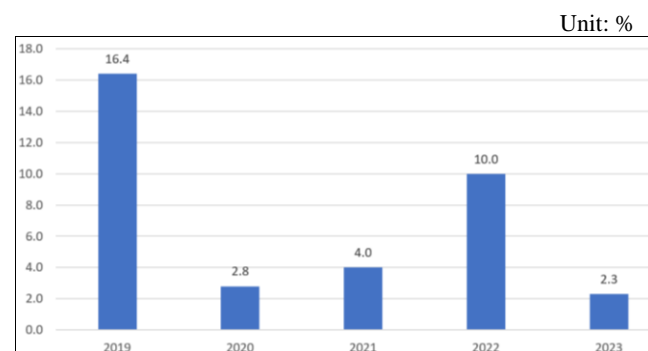
Source: General Statistics Office, BIDV Training and Research Institute, 2023 [5]

Fig 1: Contribution to demand direction

One of the challenges of the economy is low growth in private investment and unprecedented consumption: private investment will only increase by 2.7% in 2023, which is an unprecedented low in the past 10 years and low. More than the covid 19 period (3%).

"Private investment growth must reach 6-7% to be stable below 3%, which is a very low level," he said, adding that the only way to stimulate demand is to regain the confidence of businesses, investors and jobs. Strongly improve the business investment environment.

Final consumption growth was very low (3.52%), only half the annual economic growth rate of about 7%. "Private investment and low consumption growth are two weaknesses of the Vietnamese economy in the past year. Therefore, to achieve growth goals, it is necessary to stimulate these two factors.



Source: General Statistics Office, 2023 [6]

Fig 2: Growth of residential and private investment capital in the first 9 months of the year

According to a report from the General Statistics Office, realized FDI capital in the first 10 months of the year increased by 2.4% compared to last year, reaching 18 billion USD, the highest level in 5 years. Registered FDI capital increased by 14.7% in the first 10 months.

Total realized investment capital from the state budget increased by 22.6% in the first 10 months of 2023 to VND 479,300 billion (US\$ 19 billion), mainly thanks to increased spending on transport infrastructure to promote growth.

Chief.

While public investment and FDI increased strongly, private investment still grew poorly. Residential and private investment capital in the third quarter reached VND 498,800 billion, up 2.5% over the same period. In the first 9 months of 2023, private investment capital increased by 2.3% compared to the first 9 months of 2022, this is also the lowest increase in 10 years.

3. Main cause of private investment decline

The first is that businesses delay new investment projects and expansion plans due to uncertain global economic prospects, reduced export orders and tightening domestic consumer spending.

The second reason is that in the first 9 months of the year, many businesses in the field of real estate, civil construction, etc. closed or narrowed their operations due to the domestic real estate market being sluggish.

4. Solutions to improve private investment capital in Vietnam

To recover Vietnam's economy, it is necessary to improve private sector investment and domestic consumption. Internal factors must be addressed to lay the foundation for other areas to recover. Exports and international trade are forecast by the World Bank to recover next year as other economies increase imports. In the coming time, commodity prices may not increase, and some commodity prices will even decrease and inflation in Vietnam and around the world will decrease. These are factors that will change the economic prospects of Vietnam and the world.

Firstly, Vietnam continues to focus on green transformation and digital transformation because this is an inevitable global trend in the coming time.

Green growth and adaptation to climate change, if done well, can help GDP grow by 1.8 - 2%. Policy tools on taxes and green credits to support industries, gradually eliminating the use of coal and switching to clean energies such as wind and solar.

In the financial sector, the Government needs to promote green financial tools such as green bonds and not only apply to small businesses.

As for banks, the WB emphasized that the banking sector must also have an action plan to support the Government's green strategy.

Raising awareness for people, businesses, and workers must also have knowledge about digital and green transformation. Second, encourage private investment through continuing to lower lending interest rates, thereby reducing capital costs, increasing access to capital on the stock market, and stimulating consumption thanks to the market recovery. Asset.

It is necessary to reduce lending interest rates, not deposit interest rates, because the policy interest rate reduction has reached the limit point.

Third, during this period, priority should be given to using fiscal policy

The policy to stimulate private investment also faces some barriers such as high credit and M2/GDP ratios, slow decline in core inflation, leading to little space to further reduce deposit interest rates. Furthermore, there is a limit to positive real interest rates; exchange rate instability. Furthermore, monetary stimulus policies are less effective in stimulating investment in the business sector when

businesses are still pessimistic about the economic prospects and when demand for goods is still low. Short. Therefore, during this period, priority should be given to using fiscal policy.

5. Conclusion

In the long term, for the private economic sector to truly play its role as a driving force, the State needs to continue to create space for development and create opportunities for the private economy, especially private enterprises, to have equal access. Access, exploit and use national resources for development. Some of the core issues that need to be focused on are supporting and encouraging investment through policy and legal innovation to create a favorable business environment to promote the development of the private economy and improve capacity. Production - business, innovation; reform and improve institutional quality and effective and efficient law enforcement capacity. In recent times, the private economy has encountered limits in terms of positive real interest rates; exchange rate instability. Furthermore, monetary stimulus policies are less effective in stimulating investment in the business sector when businesses are still pessimistic about the economic prospects and when demand for goods is still low. Short. Based on these problems, the article has consulted on some effective solutions for the process of promoting private investment capital in the coming time.

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