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# Market Entry and Exit Barriers among Vietnamese Enterprises: Evidence from Business Registration Data

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**Abstract**
This study examines market entry and exit barriers among Vietnamese enterprises through a longitudinal analysis of administrative business-registration data for 2015–2025. Rather than treating business closure as a single event, the paper distinguishes five observable transition states: new registration, re-entry, temporary suspension, pending dissolution, and completed dissolution. This distinction is important because temporary suspension is a reversible adjustment and cannot be interpreted as firm death. The evidence shows a marked expansion of formal business dynamism. New registrations rose from 94,754 in 2015 to 195,147 in 2025, while re-entries increased from 21,506 to 102,327. Yet exit-side adjustment intensified at an even faster pace: temporary suspensions increased more than sevenfold and became the dominant component of reported market withdrawal after 2020. The exit-to-entry pressure ratio rose sharply during the COVID-19 period and remained elevated in 2023–2024, before declining in 2025 as entry and re-entry reached record levels. Small-capital enterprises account for close to 90 percent of both entry and exit states in 2024, while new registrations remain geographically concentrated in the Southeast and Red River Delta. The findings suggest that Vietnam's principal enterprise-policy challenge has shifted from formal incorporation alone toward post-entry survival, reactivation, financing resilience, and orderly exit. The study contributes a multi-state measurement framework for interpreting administrative registration data and cautions against using suspension or pending dissolution as direct proxies for permanent business failure.

**Keywords:** Market Entry, Firm Exit, Business Registration, Temporary Suspension, Entrepreneurship, Vietnam

**JEL Classification:** D22; L11; L26; O17; O53

## 1. Introduction

Firm entry and exit are central mechanisms through which a market economy reallocates capital, labor, and entrepreneurial effort. Entry introduces new organizational forms and competitive pressure; exit releases resources from activities that can no longer cover their opportunity costs. In a frictionless setting, these flows are part of ordinary market selection. In practice, however, regulatory procedures, financing constraints, information asymmetries, fixed compliance costs, weak demand, and the administrative complexity of winding down a business can alter both the level and the composition of observed firm turnover (Djankov *et al*., 2002; Hopenhayn, 1992) [11, 15]. The empirical problem is therefore not simply to count how many firms enter or leave, but to determine what registration states reveal—and do not reveal—about the frictions surrounding business formation, survival, suspension, reactivation, and dissolution.

Vietnam offers an unusually informative setting for such an analysis. The period from 2015 to 2025 spans two major enterprise-law regimes, successive efforts to digitalize and integrate registration procedures, the COVID-19 shock, a post-pandemic rebound, and a renewed policy emphasis on private-sector development in 2025. Over the same period, the annual number of newly registered enterprises more than doubled, while the number of enterprises returning to operation rose almost fivefold. These headline gains coexist with an equally important development: temporary suspension expanded much more rapidly than permanent dissolution. Consequently, a binary entry-versus-exit narrative understates the extent to which Vietnamese firms use suspension as an intermediate state between operation and closure.

This distinction matters analytically. The official registration system reports several different withdrawal states. A firm may register a temporary suspension, enter a pending-dissolution status, or complete dissolution. Before 2019, the middle category

also contained firms that had ceased operating without registering that status. Moreover, the 2018 series was affected by a one-off data-cleaning exercise that reclassified 18,100 enterprises which had actually ceased operations in earlier years. Treating all of these observations as contemporaneous firm deaths would mechanically exaggerate exit and obscure the role of reversible suspension. Recent evidence from Vietnam's household-business tax census likewise shows that temporary suspension is far more prevalent than permanent closure and operates as an adjustment margin during shocks (Islamaj, Le, & Pham, 2026) [17].

Against this background, the paper asks three questions. First, how did formal entry, re-entry, temporary suspension, pending dissolution, and completed dissolution evolve between 2015 and 2025? Second, what do changes in the composition of these flows imply about the location of market frictions—at formal entry, during post-entry survival, or in the process of orderly exit? Third, how are these dynamics distributed across firm size and regions where the published administrative data permit further disaggregation? The purpose is descriptive and diagnostic rather than causal. National annual aggregates cannot identify the effect of a particular reform or isolate the determinants of individual firm failure. They can, however, reveal structural changes in the margins through which firms adjust.

The paper makes three contributions. It first constructs a harmonized 2015–2025 series from annual business-registration reports and official statistical publications. Second, it develops a multi-state measurement framework that separates reversible withdrawal from completed dissolution and uses several transparent indicators—entry/re-entry flow, exit-pressure flow, suspension share, reactivation proxy, hard-exit ratio, and net flow balance. Third, it links the time-series evidence to firm-size and regional patterns, showing that the Vietnamese enterprise sector combines relatively strong formal entry with persistent post-entry fragility among small-capital firms. This shifts the policy discussion from the narrow question of how quickly a firm can be registered toward the broader lifecycle question of whether firms can survive, pause, reactivate, scale, and exit at low economic cost.

## 2. Literature Review and Conceptual Framework

### 2.1 Entry regulation, market selection, and firm dynamics

The literature on entry regulation emphasizes that the cost of becoming a legal firm is shaped by the number of procedures, official time, monetary costs, and discretionary interactions required before operation. Cross-country evidence in Djankov *et al*. (2002) [11] established that heavier entry regulation is associated with larger unofficial economies and higher corruption, motivating later reforms centered on simplification and digitalization. Yet the number of registrations is not a direct measure of entry barriers. Realized entry is an equilibrium outcome determined jointly by administrative costs, expected demand, access to finance, expected profitability, and the pool of potential entrepreneurs. A rise in registrations may therefore reflect lower regulatory costs, stronger demand, policy support, or some combination of these factors.

Industrial-dynamics models provide the second foundation. Hopenhayn (1992) [15] models entry and exit as endogenous responses to heterogeneous productivity and uncertain future profitability. Dunne, Roberts, and Samuelson (1988) [12] document persistent industry-level entry and exit and emphasize post-entry performance as an essential part of market selection. The implication for the present study is that high entry need not signal a frictionless business environment if entrants subsequently experience high suspension or closure. Conversely, a high number of exits may reflect healthy reallocation rather than institutional failure when exit is timely and resources can be redeployed at low cost.

### 2.2 Exit is a process, not a binary event

A central measurement issue is the definition of exit. Administrative datasets often distinguish legal dissolution from temporary inactivity, while survey datasets may classify a non-operating unit as closed even if it later reopens. The distinction is particularly consequential in economies with a large population of small enterprises. McCaig and Pavcnik (2021) [18], using long-run panel evidence on informal non-farm businesses in Vietnam, report annual entry and exit rates of roughly 14–18 percent and show that turnover changes with local economic development. Demenet, Razafindrakoto, and Roubaud (2016) [10] further show that formalization can improve the performance of larger household businesses, but the gains do not extend uniformly to the smallest units.

The most directly relevant recent evidence is provided by Islamaj *et al*. (2026) [17], who use a high-frequency tax census of Vietnamese household businesses. They distinguish permanent exit from temporary suspension and find annual permanent closure rates around 4–5 percent, compared with temporary suspension affecting roughly one quarter of firms. Suspension rises sharply in response to shocks and can precede eventual exit. Although the population in their study differs from registered enterprises analyzed here, the conceptual lesson carries over: suspension should be modeled as an economically meaningful state, not mechanically combined with permanent failure.

### 2.3 Institutional context in Vietnam, 2015–2025

The sample begins in 2015, when the 2014 Law on Enterprises came into effect on 1 July. The subsequent period saw continued simplification of business registration and a gradual move toward integrated digital procedures. The 2020 Law on Enterprises took effect on 1 January 2021. Decree No. 122/2020/NĐ-CP integrated enterprise establishment with declarations related to labor, social insurance, and invoice use, while Decree No. 01/2021/NĐ-CP provided the implementing framework for enterprise registration. In 2025, Resolution No. 68-NQ/TW placed renewed emphasis on private-sector development. Official statistical commentary associated the strong 2025 entry rebound partly with this policy environment, but the aggregate design used here does not permit a causal attribution to the resolution itself.

**Table 1:** Selected institutional milestones relevant to enterprise entry and exit

| Year | Instrument | Relevance to observed firm dynamics |
|---|---|---|
| 2015 | Law on Enterprises 2014 effective 1 July 2015 | Beginning of the study window; continued shift toward freedom of business in activities not prohibited by law and simplified establishment procedures. |
| 2020 | Decree 122/2020/NĐ-CP | Interlinks business establishment with labor declaration, social-insurance unit code, and invoice-use registration. |
| 2021 | Law on Enterprises 2020 and Decree 01/2021/NĐ-CP | New enterprise-law regime and updated registration framework; greater reliance on electronic and interoperable procedures. |
| 2025 | Resolution 68-NQ/TW on private-sector development | Policy emphasis on reducing business constraints and strengthening private-sector growth; coincides with record entry/re-entry. |

**Note:** The table summarizes institutional milestones; it does not treat their timing as causal identification.

## 3. Data and Method

### 3.1 Data sources and coverage

The core dataset is an annual national panel of registration flows covering 2015–2025. Figures for 2015–2022 and detailed 2024 observations are drawn from annual reports of the Business Registration Management Agency published on the National Business Registration Portal. The 2023 series is cross-checked against the Statistical Summary Book, while 2024–2025 totals are cross-checked against releases of the General Statistics Office/National Statistics Office. For 2025, the official infographic provides exact counts for all five transition states. Additional published tabulations are used for the regional distribution of new registrations in 2020–2024 and for the size and age composition of 2024 entry and exit states.

The unit of analysis is a registration event, not a unique enterprise-year panel observation. Accordingly, the annual flows should not be interpreted as cohort transition probabilities. A firm that re-enters in a given year need not be one of the firms that suspended in the immediately preceding year. Similarly, the flow of firms pending dissolution may contain cases initiated in different months or under different administrative pathways. The study therefore emphasizes flow ratios and composition rather than survival probabilities.

### 3.2 Harmonization and the 2018 comparability break

The most important harmonization issue concerns the middle withdrawal category. In 2015–2018, official reports referred to enterprises that ceased operations without registration or were waiting to complete dissolution procedures. From 2019 onward, the published category is more cleanly framed as enterprises waiting to complete dissolution. The 2018 report further states that 18,100 of the enterprises placed in pending-dissolution status were legacy cases that had ceased operation in earlier years and were reclassified during a data-cleaning exercise. The raw official count is preserved in the main data table for transparency, while a sensitivity-adjusted exit-to-entry ratio subtracting those 18,100 legacy cases is reported separately. No other retrospective adjustment is imposed.

The 2023 exit components are reported by the official statistical publication in rounded thousands (89.1 thousand temporary suspensions, 65.5 thousand pending dissolution, and 18.0 thousand completed dissolutions). For consistency, Table 2 records them as 89,100, 65,500, and 18,000 and marks them as rounded. This minor rounding does not materially alter the descriptive indicators.

### 3.3 Analytical indicators

Six indicators organize the analysis. Let $N_t$ denote new registrations, $R_t$ re-entries, $S_t$ temporary suspensions, $P_t$ pending-dissolution cases, and $D_t$ completed dissolutions in year t. The entry/re-entry flow is $E_t = N_t + R_t$. The reported exit-pressure flow is $X_t = S_t + P_t + D_t$. The exit-to-entry pressure ratio is $X_t/E_t$; values below one indicate that contemporaneous entry/re-entry flows exceed reported withdrawal flows. The net flow balance is $E_t - X_t$ and is a flow measure, not the change in the stock of active enterprises. The suspension share $S_t/X_t$ measures the composition of withdrawal. The reactivation proxy $R_t/S_t$ compares same-year re-entry with same-year suspension and is explicitly not a cohort reactivation rate. Finally, $D_t/N_t$ is used as a hard-exit/new-entry ratio to track completed dissolution relative to new formation.

Because the sample contains only eleven annual observations, the paper does not estimate a causal regression model. Doing so would create false precision and would be particularly vulnerable to structural breaks, serial dependence, and the definitional discontinuity described above. Instead, the empirical strategy is a transparent longitudinal decomposition with period comparisons and sensitivity analysis. This choice matches the informational content of the available administrative aggregates.

**Table 2:** Annual business-registration flows in Vietnam, 2015-2025

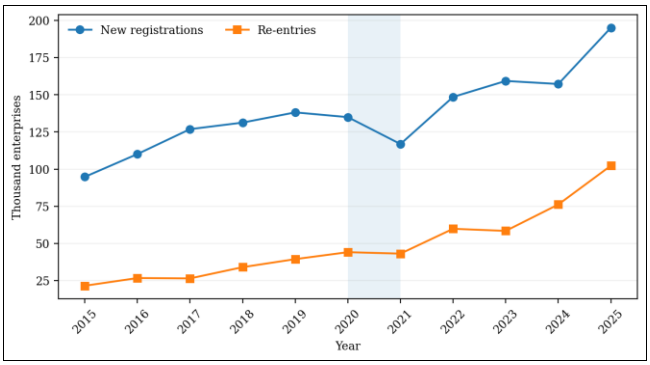
| Year | New | Re-entry | Temporary suspension | Pending dissolution / inactive* | Completed dissolution |
|---|---|---|---|---|---|
| 2015 | 94,754 | 21,506 | 15,649 | 55,742 | 9,467 |
| 2016 | 110,100 | 26,689 | 19,917 | 40,750 | 12,478 |
| 2017 | 126,859 | 26,448 | 21,684 | 38,869 | 12,113 |
| 2018 | 131,275 | 34,010 | 27,126 | 63,525 | 16,314 |
| 2019 | 138,139 | 39,421 | 28,731 | 43,711 | 16,840 |
| 2020 | 134,941 | 44,096 | 46,592 | 37,663 | 17,464 |
| 2021 | 116,839 | 43,116 | 54,960 | 48,127 | 16,741 |
| 2022 | 148,533 | 59,835 | 73,801 | 50,788 | 18,609 |
| 2023 | 159,294 | 58,412 | 89,100 | 65,500† | 18,000† |
| 2024 | 157,240 | 76,179 | 100,098 | 76,155 | 21,608 |
| 2025 | 195,147 | 102,327 | 114,415 | 76,862 | 35,883 |

## 4. Empirical Results

### 4.1 The expansion of formal entry and re-entry

The first long-run pattern is a substantial expansion of formal entry. New registrations increased from 94,754 in 2015 to 195,147 in 2025, an increase of 106.0 percent and a compound annual growth rate of approximately 7.5 percent. Re-entry grew even faster, from 21,506 to 102,327, equivalent to a compound annual growth rate of 16.9 percent. Consequently, total entry and re-entry rose from 116,260 to 297,474 enterprises. The trajectory was not monotonic. New formation accelerated through 2019, softened in 2020, fell sharply to 116,839 in 2021, and then rebounded in 2022–2023. A small decline in new registrations occurred in 2024, but the decline was more than offset by a 30.4 percent increase in re-entries. In 2025

both components rose strongly, producing the highest entry/re-entry flow in the series.




**Note:** The shaded area marks 2020–2021. Sources: authors' compilation from official business-registration reports and statistical releases.

**Fig 1:** New registrations and re-entries, 2015–2025

The growing importance of re-entry is analytically significant. In 2015, re-entries were equal to 22.7 percent of new registrations; by 2025 the ratio was 52.4 percent. This does not mean that half of new firms were previously suspended—again, the flows are not linked cohorts—but it shows that reactivation has become a quantitatively important part of market dynamism. A policy framework focused solely on start-up formation would therefore miss an increasingly large margin through which economic activity returns to the formal enterprise sector.

**Table 3:** Derived indicators of business dynamism

| Year | Entry + re-entry | Exit pressure | Exit / entry (%) | Net flow balance | Re-entry / suspension (%) | Dissolution / new (%) |
|---|---|---|---|---|---|---|
| 2015 | 116,260 | 80,858 | 69.5 | 35,402 | 137.4 | 10.0 |
| 2016 | 136,789 | 73,145 | 53.5 | 63,644 | 134.0 | 11.3 |
| 2017 | 153,307 | 72,666 | 47.4 | 80,641 | 122.0 | 9.5 |
| 2018 | 165,285 | 106,965 | 64.7 | 58,320 | 125.4 | 12.4 |
| 2019 | 177,560 | 89,282 | 50.3 | 88,278 | 137.2 | 12.2 |
| 2020 | 179,037 | 101,719 | 56.8 | 77,318 | 94.6 | 12.9 |
| 2021 | 159,955 | 119,828 | 74.9 | 40,127 | 78.4 | 14.3 |
| 2022 | 208,368 | 143,198 | 68.7 | 65,170 | 81.1 | 12.5 |
| 2023 | 217,706 | 172,600 | 79.3 | 45,106 | 65.6 | 11.3 |
| 2024 | 233,419 | 197,861 | 84.8 | 35,558 | 76.1 | 13.7 |
| 2025 | 297,474 | 227,160 | 76.4 | 70,314 | 89.4 | 18.4 |

### 4.2 Withdrawal increasingly occurs through temporary suspension

The exit side changed more dramatically than the entry side. Temporary suspensions increased from 15,649 in 2015 to 114,415 in 2025, a more than sevenfold rise and a compound annual growth rate of approximately 22.0 percent. Completed dissolutions also increased, from 9,467 to 35,883, but from a much lower base and at a slower compound annual rate of 14.3 percent. The divergence between suspension and dissolution is visible from 2020 onward. Temporary suspension jumped by 62.2 percent in 2020, remained high in 2021, exceeded 73,000 in 2022, and approached or surpassed 100,000 in 2024–2025.

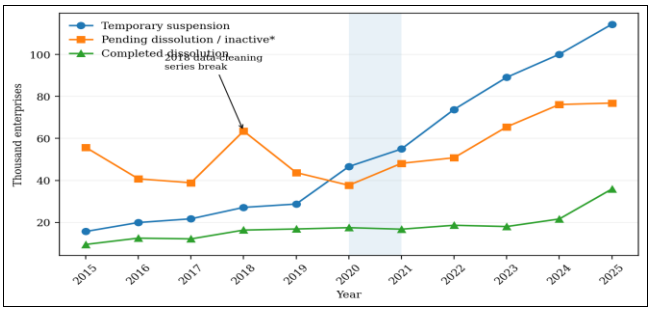
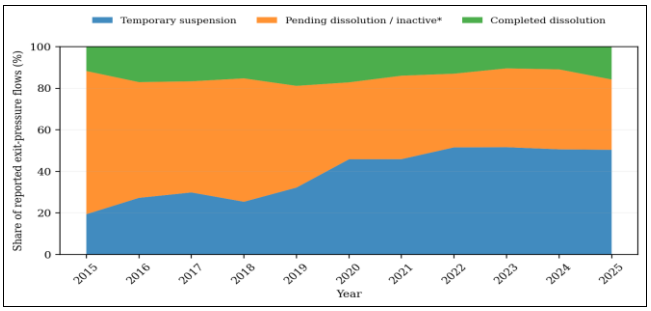



**Fig 2:** Composition of enterprise withdrawal states, 2015–2025

This pattern supports an interpretation of suspension as a buffer state. Firms can reduce operating exposure without immediately bearing the full administrative and economic costs of permanent closure, while retaining the option to return. During the COVID-19 shock this option became especially salient. The share of temporary suspensions in reported withdrawal flows rose from 32.2 percent in 2019 to 45.8 percent in 2020 and remained near or above one half from 2022 onward. That structural shift is consistent with the household-business evidence of Islamaj *et al*. (2026) [17], although the populations and measures are not identical.




**Note:** Shares are calculated from official flow counts. The pre-2019 pending-dissolution/inactive category is broader than the later definition.

**Fig 3:** Composition of reported exit-pressure flows, 2015–2025

### 4.3 The exit-to-entry balance: shock, persistence, and recovery

The exit-to-entry pressure ratio provides a compact view of the changing balance. The reported ratio declined from 69.6 percent in 2015 to 47.4 percent in 2017, suggesting that entry and re-entry were expanding faster than withdrawal. The reported 2018 ratio rises to 64.7 percent, but this is partly a statistical artifact. Subtracting the 18,100 legacy cases identified by the official report lowers the 2018 sensitivity estimate to about 53.8 percent. In other words, the apparent deterioration between 2017 and 2018 is substantially smaller once the data-cleaning exercise is recognized.

The pandemic period produced a clearer economic break. The ratio rose to 56.8 percent in 2020 and 74.9 percent in 2021 as new registrations contracted and suspensions accumulated. The ratio remained elevated after reopening: 68.7 percent in 2022, approximately 79.3 percent in 2023, and 84.8 percent in 2024. The 2024 outcome is notable because total entry and re-entry still reached 233,419. The

issue was not a collapse in entrepreneurial formation, but that withdrawal flows were also exceptionally high. In 2025 the ratio fell to 76.4 percent as record entry and re-entry outpaced the increase in withdrawal, even though completed dissolutions rose sharply.

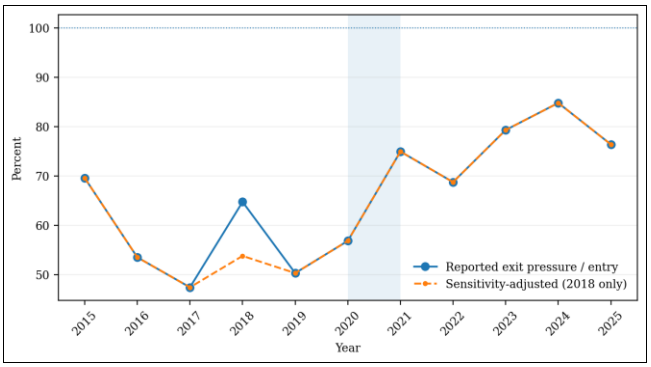



**Fig 4:** Exit-to-entry pressure ratio and 2018 sensitivity adjustment

### 4.4 The 2025 "dual-movement" pattern: record entry alongside record dissolution

The 2025 data should not be read as a simple success or failure signal. On the entry side, 195,147 new enterprises and 102,327 re-entries represent the strongest inflow observed in the series. The number of newly registered enterprises increased by 24.1 percent from 2024, while re-entries increased by 34.3 percent. On the exit side, however, completed dissolutions reached 35,883, an increase of 66.1 percent, while temporary suspensions rose by 14.3 percent to 114,415. The economy therefore experienced unusually strong creation, reactivation, and permanent closure at the same time.

This dual movement is best interpreted as intensified market turnover rather than as evidence for a single change in 'business confidence.' A high-turnover environment can contain both opportunity-driven entry and accelerated selection among existing firms. Official statistical commentary links the 2025 entry surge partly to the implementation of Resolution 68-NQ/TW and the broader private-sector policy agenda. The timing is consistent with that interpretation, but the annual aggregate data do not provide a counterfactual. Macroeconomic growth, sectoral demand, accumulated post-pandemic restructuring, and administrative processing may also contribute. For the same reason, the rise in completed dissolution could reflect greater business distress, the clearance of earlier backlogs, more effective formalization of closure, or all three.

**Table 4:** Period averages and structural change in registration flows

| Period | Avg. entry/re-entry | Avg. exit pressure | Exit/entry (%) | Suspension share (%) | Re-entry/suspension (%) | Dissolution/new (%) |
|---|---|---|---|---|---|---|
| Pre-pandemic (2015–2019) | 149,840 | 84,583 | 57.1 | 26.8 | 131.2 | 11.1 |
| Pandemic (2020–2021) | 169,496 | 110,774 | 65.9 | 45.8 | 86.5 | 13.6 |
| Post-pandemic (2022–2024) | 219,831 | 171,220 | 77.6 | 51.3 | 74.2 | 12.5 |
| 2025 | 297,474 | 227,160 | 76.4 | 50.4 | 89.4 | 18.4 |

### 4.5 Small-capital firms dominate both entry and withdrawal

The detailed 2024 profile reveals a striking symmetry in firm size. Of 157,240 newly registered enterprises, 145,464—92.5 percent—had registered capital below VND 10 billion. Small-capital enterprises also represented 89.3 percent of temporary suspensions, 90.5 percent of enterprises pending dissolution, and 87.8 percent of completed dissolutions. In addition, 41.1 percent of temporarily suspended enterprises and 66.9 percent of dissolved enterprises had operated for less than five years. These figures do not establish that small firms have a higher exit hazard, because the denominator—the number of active firms by capital class—is not available in the annual registration report. They do show that the absolute burden of both market creation and withdrawal is concentrated among small-capital enterprises.

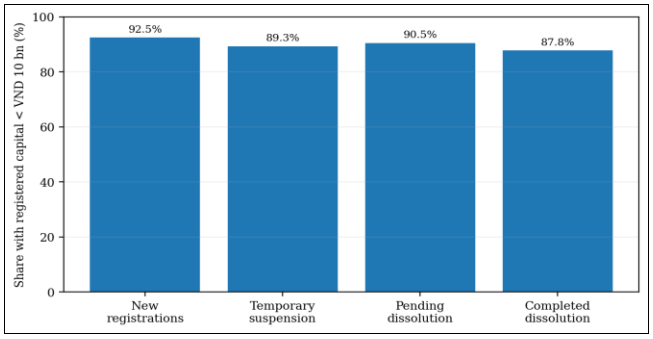



**Fig 5:** Share of 2024 registration states accounted for by enterprises with capital below VND 10 billion

**Table 5:** Size and age profile of selected registration states, 2024

| State | Total | Capital < VND 10 bn | Share (%) | Age profile |
|---|---|---|---|---|
| New registrations | 157,240 | 145,464 | 92.50 | — |
| Temporary suspensions | 100,098 | 89,414 | 89.33 | 41.05% under 5 years |
| Pending dissolution | 76,155 | 68,905 | 90.48 | Not reported in summary |
| Completed dissolution | 21,608 | 18,961 | 87.75 | 66.92% under 5 years |

**Note:** Source: Business Registration Management Agency (2025) [9], annual report for 2024.

This pattern is more consistent with a problem of post-entry fragility than with a pure formal-entry bottleneck. Vietnam is generating large numbers of new legal entities, overwhelmingly at modest capital levels, but many such enterprises operate with thin financial buffers and limited ability to absorb prolonged demand or cost shocks. Policies that only reduce the time required to register a firm may therefore have diminishing marginal value unless complemented by measures addressing finance, managerial capability, tax and reporting compliance, market access, and inexpensive reactivation or closure.

### 4.6 Spatial concentration of formal entrepreneurship

Formal enterprise formation is also geographically concentrated. In 2024, the Southeast accounted for 65,883 new registrations (41.9 percent of the national total), while the Red River Delta accounted for 48,027 (30.5 percent). Combined, the two regions generated about 72.4 percent of

new enterprises. The regional panel for 2020–2024 shows that this concentration persisted through the pandemic and recovery. The Southeast experienced the largest absolute fall in 2021 and then a strong rebound, while the Red River Delta displayed a comparatively smoother trajectory. The Mekong River Delta rose from 8,313 registrations in 2021 to 12,712 in 2024, but its absolute scale remained substantially smaller.

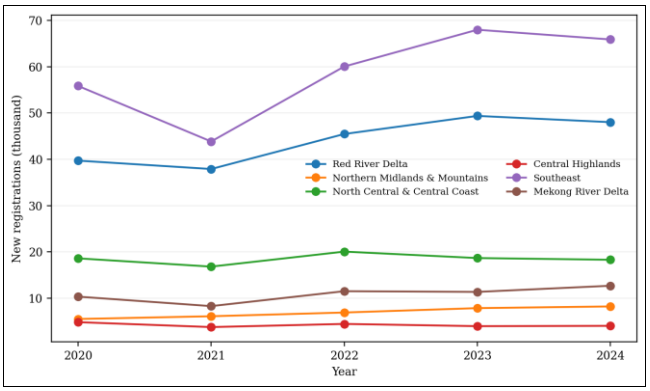



**Fig 6:** New enterprise registrations by region, 2020–2024

**Table 6:** New registrations by economic region, 2020–2024

| Region | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| Red River Delta | 39,723 | 37,913 | 45,472 | 49,377 | 48,027 |
| Northern Midlands & Mountains | 5,532 | 6,127 | 6,932 | 7,880 | 8,244 |
| North Central & Central Coast | 18,626 | 16,842 | 20,080 | 18,690 | 18,321 |
| Central Highlands | 4,849 | 3,787 | 4,470 | 3,986 | 4,053 |
| Southeast | 55,850 | 43,857 | 60,043 | 67,980 | 65,883 |
| Mekong River Delta | 10,360 | 8,313 | 11,536 | 11,381 | 12,712 |

The regional evidence should not be interpreted as proof that entry barriers are lower in the Southeast or Red River Delta. These regions have larger urban markets, denser supplier and customer networks, stronger service sectors, and greater stocks of existing enterprises. Without normalizing by population, labor force, active-firm stock, or regional GDP, the counts reveal where formal entrepreneurship is concentrated but not why. Future microdata work could estimate region-specific entry and exit hazards while controlling for market size and industry composition.

## 5. Discussion: Where Are the Barriers?

### 5.1 Formal incorporation appears less binding than lifecycle fragility

The decade-long evidence does not support a simple characterization of Vietnam as an economy where formal entry is persistently suppressed. New registrations more than doubled, and entry/re-entry reached almost 300,000 enterprises in 2025. This is compatible with substantial improvement in the administrative conditions for formal establishment. It is also consistent with IMF assessments describing Vietnam as a relatively dynamic environment with strongly positive net formal entry. Nevertheless, realized registrations alone cannot prove that entry costs are low for all potential entrepreneurs. Informal household businesses remain important, sector-specific licensing and business conditions can still raise effective entry costs, and small entrepreneurs may face financing or information constraints before any registration event occurs.

What the registration data show more clearly is the increasing importance of the post-entry margin. Temporary suspension grew far faster than new formation and became the predominant withdrawal state. A firm may be legally easy to establish but economically difficult to sustain. In this sense, entry reform and enterprise development are not synonymous. The former reduces the fixed cost of becoming formal; the latter requires a viable path through early-stage financing, compliance, market acquisition, capability building, and shock absorption.

### 5.2 Suspension can be resilience and distress at the same time

A temporary suspension has two competing interpretations. From a resilience perspective, it is an option value: instead of liquidating immediately, an enterprise can pause, preserve the legal entity, restructure, and return when conditions improve. From a distress perspective, a rising stock of suspensions can signal weak demand, financing pressure, or uncertainty, especially when re-entry fails to keep pace. The same-year re-entry/suspension proxy in Table 3 helps illustrate this tension. It exceeded 100 percent through 2019 but fell below that threshold from 2020 onward, reaching 65.6 percent in 2023 before recovering to 89.4 percent in 2025. Because the numerator and denominator are not matched cohorts, the ratio should not be read as a recovery probability. It nevertheless shows that new suspension flows have exceeded re-entry flows for six consecutive years.

This observation sharpens the policy meaning of 'exit barriers.' A high number of suspended firms does not necessarily mean that legal dissolution is too difficult; some firms deliberately prefer to preserve re-entry options. Yet persistent suspension may also arise when closing a firm involves unresolved tax obligations, contract settlement, employee claims, debt, or procedural uncertainty. Administrative data alone cannot separate voluntary option-preserving suspension from involuntary limbo. A future research design should combine registration histories with tax status and firm surveys to measure the duration and reasons for each state.

### 5.3 Completed dissolution rose sharply in 2025

Completed dissolution was comparatively stable between 2015 and 2024, typically ranging from about 9,000 to 22,000 cases, before rising to 35,883 in 2025. The hard-exit/new-entry ratio correspondingly rose to 18.4 percent, the highest level in the series. There are at least three non-exclusive explanations. First, operating stress may have converted more temporary or pending cases into permanent closure. Second, administrative processing may have accelerated the completion of closures accumulated in earlier periods. Third, stronger formalization of both entry and exit may increase recorded turnover even if underlying economic failure changes less dramatically. Distinguishing these mechanisms requires firm-level duration data and a direct measure of processing time.

**Table 7:** Interpreting "barriers" from business-registration data

| Conceptual channel | Mechanism | Observable registration signal | Key identification limitation |
|---|---|---|---|
| Administrative entry friction | Procedures, time, fees, sector conditions, coordination across agencies | New registrations; registration capital; formalization surveys | Potential entrepreneurs who never register are unobserved |
| Post-entry operating friction | Finance, demand, compliance cost, capability, input cost | Temporary suspension; young-firm concentration; re-entry | Suspension is reversible and reasons are not observed |
| Exit-process friction | Tax clearance, creditor/contract settlement, administrative closure | Pending dissolution; duration to completed dissolution | Annual counts do not measure processing duration |
| Shock absorption / resilience | Ability to pause and reactivate | Suspension share; re-entry; sector and region patterns | Same-year flows are not matched cohorts |
| Market selection | Reallocation from low-viability firms to entrants/survivors | Completed dissolution, entry, churn | No productivity or employment linkage in aggregate data |

**Note:** The table separates directly observed registration states from economic mechanisms that require additional data for causal identification.

## 6. Policy Implications

The first implication is to move from an entry-only reform agenda toward lifecycle governance. Continued simplification of establishment remains useful, particularly where sector-specific licenses or local implementation generate unnecessary variation. However, the larger quantitative challenge now lies after incorporation. A business-support system should be evaluated not only by registrations processed, but also by early survival, time to resume after suspension, the share of pending cases that reach a clear legal resolution, and the cost and duration of orderly dissolution.

Second, support should be targeted to the vulnerability profile revealed by the data. The overwhelming majority of entry and withdrawal events involve firms with registered capital below VND 10 billion, and a large share of dissolved firms are less than five years old. This suggests an emphasis on early-stage cash-flow management, transparent credit information, credit-guarantee effectiveness, accounting and tax capability, digital sales channels, and access to business-development services. Such measures should be designed to improve viable firms' resilience rather than to preserve all firms regardless of productivity.

Third, the registration system would benefit from a formal 'reactivation metric.' Current reports publish the number of firms returning to operation but do not routinely link each re-entry to the duration and reason for the preceding suspension. A longitudinal administrative identifier could support cohort measures such as the probability of re-entry within 3, 6, 12, and 24 months; the probability that suspension transitions into dissolution; and the median duration of pending dissolution. These are more informative indicators of exit friction than annual counts alone.

Fourth, the exit process should be monitored as a service-delivery problem. For firms that genuinely wish to cease operation, unresolved tax, contract, labor, and creditor obligations can generate a long period of legal and financial uncertainty. A digital 'one-stop' closure workflow—combined with standardized information on outstanding obligations and status—could reduce limbo without weakening legitimate creditor, employee, or tax protections. The objective is not to maximize dissolution, but to minimize the unnecessary cost of reaching a clear legal state.

Finally, regional and sector policy should be based on rates rather than raw counts. The concentration of registrations in the Southeast and Red River Delta is substantial, but it partly reflects market size. A next-generation monitoring system should publish entry, suspension, re-entry, pending-dissolution, and dissolution rates per 1,000 active enterprises by province and industry. This would permit more meaningful benchmarking and reduce the risk of interpreting large economies as automatically having better business environments.

## 7. Conclusion

Using official business-registration data for 2015–2025, this paper documents a decade of increasingly intensive enterprise turnover in Vietnam. New registrations more than doubled and re-entries expanded even faster. At the same time, temporary suspension became the dominant form of market withdrawal, particularly after 2020. The exit-to-entry pressure ratio rose during the pandemic and remained high in 2023–2024, before easing in 2025 as entry and re-entry reached record levels. Yet 2025 also recorded an exceptional rise in completed dissolution. The coexistence of strong entry and strong exit is not contradictory: it is a signature of a market in which firm creation, restructuring, reactivation, and selection are all occurring at high intensity.

The key substantive conclusion is that the notion of a 'barrier' should be decomposed across the enterprise lifecycle. The official data are consistent with reduced friction in formal establishment, but they reveal persistent fragility after entry, especially among small-capital and young firms. Temporary suspension can protect option value and facilitate recovery, but a sustained excess of suspension flows over re-entry flows can also indicate accumulated operating stress. Pending dissolution may contain genuine exit-process friction, yet annual counts cannot measure that friction without information on duration and unresolved obligations.

The study is intentionally cautious about causal inference. The aggregate series cannot determine how much of the 2025 entry boom was caused by policy reform, whether the rise in dissolution represents distress or faster processing, or which specific constraint explains firm suspension. Its contribution is instead measurement discipline: separating reversible and permanent states, flagging known breaks in the administrative series, and identifying the questions that require matched firm-level data. Future work should link enterprise registration, tax, social-insurance, credit, and survey information to estimate hazard models of suspension, reactivation, and dissolution. Such a design would turn the descriptive patterns established here into direct evidence on the causes and costs of entry and exit barriers.

## 8. Limitations and Data Availability

Three limitations should be emphasized. First, the dataset consists of national flow aggregates and therefore cannot estimate firm-level hazards or causal effects. Second, the

definition of the pending-dissolution/inactive category changes across the study period, with a particularly important data-cleaning break in 2018. Third, raw regional and sector counts do not control for the size of the underlying firm population. These limitations are addressed through explicit definitions, a 2018 sensitivity adjustment, and conservative interpretation rather than through unsupported statistical correction.

All numerical inputs used in the paper are compiled from publicly available annual reports of Vietnam's business-registration authority and national statistical agency. The harmonized annual table and derived indicators can be reproduced from Table 2 using the formulas reported in Section 3.3. A firm-level replication would require access to administrative microdata not used in this study.

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