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Provincial Business Environment and Enterprise Outcomes in Vietnam: A Decade of Evidence from the PCI and Enterprise Statistics

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Abstract

This paper traces how the quality of provincial economic governance in Vietnam and the condition of the enterprise sector moved together, and where they parted, over the ten years from 2015 to 2024. It relies only on published secondary sources: the annual Provincial Competitiveness Index (PCI) of the Vietnam Chamber of Commerce and Industry, provincial PCI profiles, the White Books on Vietnamese Enterprises compiled by the national statistics office, and official business-registration statistics. Instead of estimating a regression model, the study uses structured descriptive analysis: trend reading, dispersion and rank-persistence measures, and side-by-side comparison of governance and enterprise indicators. Four findings stand out. First, governance improved steadily: the median provincial score crossed 60 points in 2017 and reached 67.67 in 2024, while the score spread among a panel of eight contrasting provinces narrowed by roughly a third between 2015 and 2022. Second, leadership at the top was highly

persistent, with Quang Ninh ranked first for seven consecutive years (2017–2023) before Hai Phong took first place in 2024. Third, business entry set repeated records, rising from about 94.8 thousand new registrations in 2015 to about 159.3 thousand in 2023, yet exits rose faster after 2021 and reached 197.9 thousand in 2024, so that net formation became thin. Fourth, the provinces that lead the PCI ranking are not the provinces where enterprises are densest or most profitable; enterprise activity remains concentrated in a few metropolitan economies whose PCI rankings fell in the early 2020s. We interpret the pattern as a partial decoupling between perceived governance quality and enterprise outcomes, driven by agglomeration, macroeconomic shocks and the limits of what provincial authorities control. The paper closes with implications for governance assessment after Vietnam's 2025 consolidation from 63 to 34 provinces.

Keywords: Provincial Competitiveness Index, Subnational Governance, Business Environment, Enterprise Dynamics, Firm Entry and Exit, Vietnam

JEL Classification: D73; H70; L25; O17; R11

1. Introduction

Vietnam offers an unusual laboratory for studying how local government shapes business. The country is a single unitary state with one body of national law, yet provinces have long enjoyed wide discretion in how they apply that law: how quickly they issue land and construction permits, how openly they share plans and budgets, how much informal payment they tolerate, and how actively they help firms solve problems. Since 2005, the Vietnam Chamber of Commerce and Industry (VCCI) has measured these differences through the Provincial Competitiveness Index (PCI), an annual survey of roughly ten to twelve thousand private firms that rates each province on a 100-point scale. Few developing countries have a comparable subnational governance record of this length and consistency.

The PCI has become a fixture of Vietnamese public administration. Provincial leaders publish action plans to raise their ranking, the national government's resolutions on improving the business environment ask VCCI to conduct and publish the survey every year, and investors read the rankings when choosing locations. Behind this attention lies a simple belief: that a province that governs better will see more firms enter, survive and prosper. The belief is reasonable and has support in the international literature on institutions. It is also rarely checked against the official enterprise statistics that the state itself publishes.

The stakes are high because the enterprise sector now carries most of the economy. The statistics office estimates that enterprises generate more than 65 percent of gross domestic product, and the number of enterprises with business results passed 850 thousand by the end of 2025. Most of these firms are small, domestically owned and located in a handful of urban regions. For them, the daily experience of dealing with provincial departments, from land offices to tax and inspection teams, is a large part of the cost of doing business. Whether improvements in that experience translate into more and stronger firms is therefore not an academic curiosity; it is central to the country's goal of making the private sector the main engine of growth.

This paper asks a plain question. Over the decade from 2015 to 2024, how did the business environment measured by the PCI change, how did the enterprise sector change, and do the two movements tell a consistent story? We focus on the decade for three reasons. It begins with the 2014 Law on Enterprises, which took effect in mid-2015 and cut registration time to three working days. It covers a full cycle of shocks, from the pre-pandemic boom through COVID-19 to the uneven recovery of 2022–2024. And it ends with the 2024 PCI, the last edition to assess all 63 provinces before the administrative consolidation that took effect in 2025.

Our approach is deliberately non-econometric. Many studies already regress firm performance on PCI scores, and their estimates depend heavily on specification choices, survey-sample matching and assumptions about causal direction that are hard to defend with provincial aggregates. We take a different route that we think is more useful for a ten-year review: we assemble the published series, check them against one another, measure how scores and ranks moved, and read governance and enterprise indicators side by side. The aim is not to estimate an effect size but to establish, carefully and transparently, what the official record shows and where the expected link between governance and outcomes holds or breaks down.

The paper makes three contributions. It provides, to our knowledge, the first consolidated ten-year account that places PCI results next to enterprise registration and White Book indicators for the same period. It documents a pattern we call partial decoupling: governance scores kept improving and converging while entrepreneurial confidence weakened and net business formation thinned after 2021. And it shows that the top of the PCI ranking and the centres of enterprise activity are largely different places, which has direct consequences for how the index should be used after the 2025 reorganisation of provinces.

The rest of the paper is organised as follows. Section 2 reviews the literature on institutions, subnational governance and firm outcomes. Section 3 describes the PCI instrument and its changes over the decade. Section 4 sets out the data and the analytical approach. Section 5 presents the findings. Section 6 discusses what they mean, Section 7 draws policy implications and Section 8 concludes with limitations and directions for future work.

2. Literature Review

2.1 Institutions and firm performance

The starting point for most work on business environments is the institutional view of development. North (1990) [20] described institutions as the rules of the game that reduce uncertainty in exchange, and argued that the costs of defining and enforcing property rights shape which

economic activities become profitable. Acemoglu *et al.* (2005) [1] extended the argument, treating institutions as a fundamental cause of long-run growth rather than a by-product of it. In this view, firms are not simply shaped by technology and markets; they are shaped by the predictability of rules, the cost of dealing with officials and the security of their assets.

A large empirical literature followed at the firm and country level. Djankov *et al.* (2002) [7] showed that countries with heavier entry regulation do not deliver better public goods; they mainly create rents and push activity into the informal sector. Klapper *et al.* (2006) [13] found that costly entry rules in Europe reduce the creation of new firms, especially in industries that would naturally have high entry. Natural experiments reached similar conclusions. When Mexico simplified municipal business registration, the number of registered firms rose (Bruhn, 2011; Kaplan *et al.*, 2011) [4, 11], although the gains were smaller and more short-lived than reformers hoped. Fisman and Svensson (2007) [8], using Ugandan firm data, found that bribery payments were associated with considerably lower firm growth, more so than taxation of similar size.

Not all evidence points the same way. Surveys of business climates often find that perceived obstacles explain only a modest share of differences in firm performance once location, industry and size are taken into account (Dethier *et al.*, 2011) [6]. Commander and Svejnar (2011) [5], working with data on transition economies, found that country fixed effects absorbed much of what individual business-environment constraints appeared to explain. Hallward-Driemeier and Pritchett (2015) [10] went further, showing that the rules written in law and the deals firms actually experience can diverge widely; in many developing countries, what matters is not the formal rule but how it is applied to a particular firm. Bah and Fang (2015) [3] estimated that business-environment frictions account for a meaningful but far from dominant share of output gaps in Africa. The lesson for our purpose is that a strong link between governance and outcomes should not be assumed; it has to be shown.

A related strand of work concerns measurement. Governance indices built from surveys mix two kinds of information: facts that firms report about their own experience, such as days waited or payments made, and perceptions, such as whether officials are fair or proactive. Kaufmann *et al.* (2011) [12] argued that perception-based indicators are informative precisely because perceptions drive decisions, but they also warned that such indicators carry measurement error and are sensitive to the mood of respondents. For a subnational index, two further issues arise. Respondents can only judge the province where they operate, so cross-province comparison rests on the assumption that firms in different places use similar standards. And when an index becomes a target for officials, the indicators most easily influenced may improve faster than the underlying conditions. Both issues are relevant to reading the PCI over a decade in which it became a high-profile performance measure.

2.2 Subnational governance and the Vietnamese evidence

Institutional theory was first tested across countries, but there are good reasons to expect variation within countries to matter as much. In transition and emerging economies, formal institutions are still being built, so local officials

have room to interpret rules (Peng, 2003)^[21]. Firms respond by choosing strategies that fit the local environment, including whether to rely on networks, how to enter markets and whether to grow (Meyer *et al.*, 2009)^[16]. In decentralised but single-party systems, subnational leaders may also compete for investment, which can push them to improve services for business (Malesky, 2008)^[14].

Vietnam has been one of the most studied cases. Tran *et al.* (2009)^[24] used provincial data to show that the quality of local institutions was positively related to private-sector investment and growth. Malesky and Taussig (2009)^[15] found that legal institutions and connections shaped the efficiency of bank lending to private firms, with connected firms obtaining credit regardless of performance where courts were weak. Nguyen *et al.* (2013)^[19], in a multilevel study of private manufacturing firms, found that provincial institutions influenced firm performance partly through the strategies firms chose. Rand and Tarp (2012)^[22] documented how firm-level corruption depended on firm characteristics and on interactions with local officials, and Nguyen and van Dijk (2012)^[18] showed that corruption hurt private firms more than state-owned enterprises, consistent with an unlevel playing field. Rand and Tarp (2020)^[23] brought together two decades of panel evidence on small and medium enterprises and highlighted both the dynamism and the fragility of the Vietnamese private sector.

These studies share two features. Most use firm-level surveys or provincial panels from the late 2000s and early 2010s, before the reforms of 2015–2020. And most estimate average relationships, so they are less informative about how the relationship evolved as governance scores converged and the economy went through the pandemic. Annual PCI reports themselves track firm sentiment, but they rarely set their results against the official enterprise census figures. This leaves a gap that a careful descriptive review can help fill.

2.3 Conceptual lens for a descriptive review

Drawing on the literature, we read the relationship between provincial governance and enterprise outcomes through four channels. The first is the entry channel: easier registration, clearer information and faster licensing should raise the number of new firms (Djankov *et al.*, 2002; Klapper *et al.*, 2006)^[7, 13]. The second is the cost channel: lower informal charges, shorter time spent on inspections and procedures, and better access to land should reduce operating costs and improve margins (Fisman and Svensson, 2007)^[8]. The third is the confidence channel: Predictable, fair and proactive local government should encourage firms to invest and expand (Peng, 2003; Meyer *et al.*, 2009)^[21, 16]. The fourth is a set of competing forces that can weaken the first three: agglomeration economies that draw firms to large cities regardless of governance scores, macroeconomic and external shocks that hit all provinces at once, and national policies that provinces cannot change (Ayyagari *et al.*, 2008; Commander and Svejnar, 2011)^[2, 5].

This lens shapes what we look for in the data. If the first three channels dominate, we should see entry, survival and performance improving where and when governance improves. If the fourth set of forces dominates, we should see governance and outcomes moving on separate tracks. A descriptive review cannot measure the size of each channel, but it can show which pattern the official record resembles.

3. The PCI instrument and its evolution, 2015–2024

The PCI is built from an annual mail and online survey of domestic private firms in all provinces, supplemented since the early 2010s by a separate survey of foreign-invested enterprises in the provinces where they are concentrated. Respondents rate their experience of local governance and report facts about their own dealings with officials, such as how long they waited for documents or what share of revenue went to informal payments. VCCI combines these answers, together with some hard data, into ten sub-indices. Over most of the decade these were entry costs, access to land, transparency, time costs, informal charges, policy bias (later renamed fair competition), proactivity of provincial leadership, business support services (renamed business support policy in 2021), labour training and legal institutions. Each sub-index is scored on a 10-point scale and the weighted sum gives the 100-point composite score.

Three features of the index matter for anyone reading it across ten years. The first is the periodic revision of weights and indicators. VCCI updates the composite index every four years. The 2017 revision and, more substantially, the 2021 revision changed the indicator set; the analysis of the 2021 edition by the Lang Son provincial planning department, for example, reports that 60 new indicators were added, 52 earlier indicators were dropped and the index came to rest on 142 indicators in total. Composite scores before and after 2021 are therefore not strictly comparable. To deal with this, VCCI also publishes a raw (unweighted) PCI that keeps the 2006 method, so that trends can be followed over time. We use the composite score for rankings and treat cross-revision comparisons with caution.

The second feature is a change in disclosure. From the 2022 edition onward, VCCI published full ranks only for the 30 best-performing provinces; the other provinces received their scores but not a public position. This was intended to encourage provinces to aim for the leading group rather than avoid the bottom, but it means that the lower half of the ranking is no longer visible in national reports. Several provincial profiles therefore show missing values for 2023 and 2024.

The third feature is the end of the 63-province series. The 2024 report, launched on 6 May 2025, was described by the VCCI chairman as the final edition covering all 63 provinces in their old form, given the administrative restructuring under Resolution No. 60-NQ/TW. The consolidation reduced the number of provincial units to 34 from mid-2025, and VCCI has since begun to publish a redesigned assessment for the new provinces. The decade covered here is thus a complete and closed chapter of the original PCI.

Sample sizes were broadly stable. The 2018 report drew on more than 12,000 firms, including nearly 11,000 private domestic firms and over 1,500 foreign-invested firms; the 2020 report on nearly 12,300; the 2022 report on 11,872; the 2023 report on 10,676; and the 2024 report on 10,110, of which 8,566 were private domestic firms and 1,544 foreign-invested. These numbers are large enough to support provincial estimates, although response rates in some provinces are low, as provincial reviews have noted.

4. Data and Analytical Approach

4.1 Data Sources

The study uses four groups of published secondary data,

listed in Table A1 of the Appendix. The first is the PCI itself: national reports and the provincial profiles on the official PCI website, which give each province's composite score and rank by year. The second is the national business-registration statistics released at the end of each year by the business registration agency and the statistics office, which report the number of newly registered enterprises, enterprises returning to operation and enterprises withdrawing from the market. The third is the White Book on Vietnamese Enterprises, published annually from 2019 by the statistics office, which reports the number of enterprises that are operating and have production and business results, together with their capital, revenue, profit and density relative to population. The fourth is the business-sentiment section of the PCI reports, which tracks firms' expansion plans and their views on provincial officials.

Two definitions require care. An enterprise is counted as active in the registration database if it is legally registered and not dissolved or suspended; an enterprise with production and business results, the White Book concept, must also have generated revenue or incurred operating costs during the year. The gap between the two is considerable: the White Book 2022 reports 811,538 active registered enterprises at the end of 2020 but only 684,260 with business results, about 84 percent. Similarly, withdrawal from the market in registration statistics combines three flows: temporary suspension, cessation pending dissolution and completed dissolution. A temporarily suspended firm may return. We report these concepts separately and do not mix them.

4.2 Analytical Approach

We use structured descriptive analysis rather than a statistical model. The analysis proceeds in four steps. First, we document trends in governance at the top of the ranking and at the national median, using only values published by VCCI. Second, we assemble the full 2015–2022 score series for a panel of eight provinces chosen to differ in region, level of development and PCI position: Quang Ninh and Da Nang as long-standing leaders; Ha Noi as the capital; Ba Ria-Vung Tau as an industrial province in the Southeast; Nghe An and Nam Dinh as large provinces in the North Central and Red River Delta regions; An Giang in the Mekong Delta; and Bac Kan as a small mountainous province. For this panel we compute the mean, standard deviation, coefficient of variation and range in each year, which gives a simple and transparent measure of convergence. Third, we compile enterprise flow, stock, density and performance indicators. Fourth, we read the governance and enterprise series together, looking for periods and places where they move in step and where they diverge.

The choice of a descriptive design is not a fallback. With provincial aggregates, the direction of influence between governance and business outcomes cannot be settled: a dynamic private sector may improve governance by pressing officials, just as good governance may attract firms. Rank-based indices also have limited variance at the top and are revised periodically, which complicates panel estimation. Descriptive analysis lets us show the raw evidence and its gaps openly, and leaves causal estimation to studies with firm-level data and credible identification. Throughout, we describe relationships, not effects.

4.3 Verification and limitations of the data

Every figure in the paper was taken from an official publication or from reporting of official releases, and where two sources disagreed we used the official provincial profile or report. Two discrepancies are worth noting. Some press coverage of the 2020 PCI gives Ha Noi a score of 69.93, while the official provincial profile reports 66.93; the lower figure is consistent with Ha Noi's ninth place in a year in which the eighth-placed province scored 69.08 and the tenth scored 66.74, so we use it. Secondly, some press reports quote a 2023 median above 67, whereas VCCI's own figures put the 2023 national median at 66.66; we use VCCI's figure. For two values of new registrations, 2022 and 2024, we report the rounded official total (about 148.5 and 157.2 thousand) because the exact figure differed slightly between preliminary and final releases. The enterprise count for 2024 is derived from the preliminary results of the 2026 Economic Census, which reported 859,048 enterprises with business results at the end of 2025, 2.4 percent more than in 2024.

5. Findings

5.1 A decade of improving provincial governance

Table 1 summarises the top of the ranking and the national median. The best-performing province improved from 68.34 points in 2015 to a peak of 75.09 in 2020. Da Nang led in 2015 and 2016, completing a run of four consecutive years at the top. Quang Ninh then held first place every year from 2017 to 2023, and was the only province to exceed 75 points in the period since 2010. In 2024 Hai Phong took first place for the first time with 74.84 points, ahead of Quang Ninh (73.20), Long An (72.64), Bac Giang (71.24) and Ba Ria-Vung Tau (71.17).

Table 1: Top-ranked province and published national median PCI score, 2015-2024

Year	First-ranked province	Score of first-ranked province	National median score (VCCI)
2015	Da Nang	68.34	Stable vs. 2014
2016	Da Nang	70.00	Stable vs. 2014–2015; below 60
2017	Quang Ninh	70.69	Above 60 (first year)
2018	Quang Ninh	70.36	Above 60; rising
2019	Quang Ninh	73.40	Above 60; highest to date
2020	Quang Ninh	75.09	Above 60; rising
2021	Quang Ninh	73.02	Above 60; rising
2022	Quang Ninh	72.95	65.22
2023	Quang Ninh	71.25	66.66
2024	Hai Phong	74.84	67.67

Notes: Exact median values for 2015–2021 are reported in VCCI's full reports; the table shows only the qualitative statements we could verify from VCCI publications and official reporting of them. Scores after 2021 follow the revised methodology.

Sources: VCCI annual PCI reports; provincial profiles at pcivietnam.vn.

The median province tells a steadier story. VCCI reported that the median score was stable between 2014 and 2016 and then rose. The 2024 report notes that 2024 was the eighth consecutive year in which the median exceeded 60 points, which places the crossing of that threshold in 2017. By VCCI's count, the 2022 median of 65.22 points was the sixth consecutive annual increase; the median then rose by 1.44 points to 66.66 in 2023 and by just over one point to 67.67 in 2024. The raw PCI, which keeps the original

method, confirms the direction: it stood above 60 points in 2020 (62.91, a slight dip from 2019) and reached 68.18 in 2024, up 1.6 points on the previous year.

The survey details behind these scores show where change was most visible. By 2024, the time needed to register a business and obtain the papers needed to start operating averaged about a week, compared with nearly a month when the survey began. Ninety-three percent of firms described registration procedures as transparent, 91 percent received clear guidance and 86 percent were satisfied with the competence and attitude of the staff they dealt with. The share of firms saying that local labour met all or most of their needs rose from 47 percent in 2023 to 54 percent in 2024. These are the areas where national reform, digital

registration and local effort reinforced one another.

5.2 Convergence among provinces

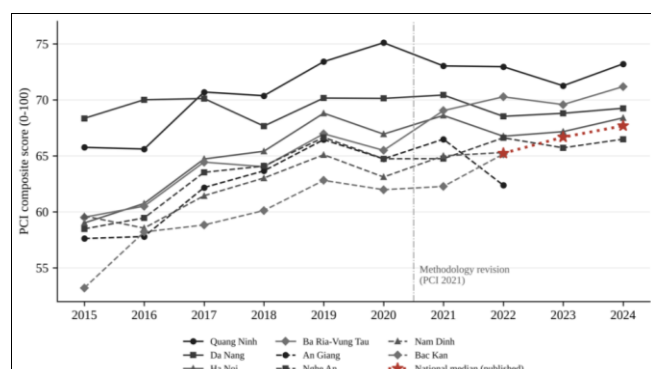
Improvement at the median was accompanied by narrowing gaps. VCCI reported that the distance between the highest and lowest province fell from 19 points in 2015 to 17 in 2016, and the 2020 report again noted continued narrowing. Our eight-province panel shows the same pattern in more detail (Table 2 and Fig 1). In 2015, the panel's scores ranged from 53.20 (Bac Kan) to 68.34 (Da Nang), a spread of 15.14 points. By 2022 the range had shrunk to 10.58 points. The coefficient of variation fell from 7.89 percent to 4.90 percent over the same years (Table 3), a reduction of about 38 percent.

Table 2: PCI composite score (rank) of the eight-province panel, 2015-2024

Province	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Quang Ninh	65.75 (3)	65.60 (2)	70.69 (1)	70.36 (1)	73.40 (1)	75.09 (1)	73.02 (1)	72.95 (1)	71.25 (1)	73.20 (2)
Da Nang	68.34 (1)	70.00 (1)	70.11 (2)	67.65 (5)	70.15 (5)	70.12 (5)	70.42 (4)	68.52 (9)	68.79 (16)	69.24 (15)
Ha Noi	59.00 (24)	60.74 (14)	64.71 (13)	65.40 (9)	68.80 (9)	66.93 (9)	68.60 (10)	66.74 (20)	67.15 (28)	68.38 (24)
Ba Ria-Vung Tau	59.51 (18)	60.50 (16)	64.43 (16)	64.02 (21)	66.96 (16)	65.48 (15)	69.03 (9)	70.26 (4)	69.57 (6)	71.17 (5)
Nghe An	58.47 (32)	59.45 (25)	63.52 (21)	64.08 (19)	66.64 (18)	64.73 (18)	64.74 (30)	66.60 (23)	65.71 (44)	66.48 (44)
Nam Dinh	59.62 (17)	58.54 (30)	61.43 (41)	63.01 (35)	65.09 (33)	63.10 (40)	64.99 (24)	65.29 (31)	n.r.	n.r.
An Giang	57.61 (39)	57.79 (38)	62.16 (32)	63.65 (28)	66.44 (21)	64.72 (19)	66.48 (17)	62.37 (54)	n.r.	n.r.
Bac Kan	53.20 (60)	58.20 (33)	58.82 (59)	60.11 (60)	62.80 (59)	61.97 (59)	62.26 (48)	65.15 (35)	n.r.	n.r.

Notes: n.r. = not reported in the provincial profile (full ranks published only for the top 30 from 2022). Ha Noi 2020 follows the official profile (see Section 4.3).

Source: VCCI provincial profiles, pcivietnam.vn.



Source: Authors' compilation from VCCI provincial profiles and PCI reports. Missing points for 2023–2024 reflect scores not reported in provincial profiles

Fig 1: PCI composite scores of the eight-province panel and the published national median, 2015-2024

Table 3. Dispersion of PCI scores in the eight-province panel, 2015-2022

Year	Mean	Standard deviation	Coefficient of variation (%)	Range (max – min)
2015	60.19	4.75	7.89	15.14
2016	61.35	4.28	6.97	12.21
2017	64.48	4.11	6.37	11.87
2018	64.78	3.09	4.78	10.25
2019	67.54	3.24	4.80	10.60
2020	66.52	4.25	6.39	13.12
2021	67.44	3.48	5.16	10.76
2022	67.24	3.29	4.90	10.58

Notes: Authors' calculations from Table 2 (sample standard deviation). 2023–2024 are excluded because scores for three panel provinces were not reported

Convergence came mainly from the bottom rising, not from the top falling. Bac Kan gained almost 12 points between

2015 and 2022, An Giang nearly nine points between 2015 and 2019, and Nghe An eight points over the full period. Da Nang, by contrast, scored almost the same in 2024 (69.24) as in 2016 (70.00). The process was not smooth. Dispersion widened in 2020, when the pandemic year produced uneven results: Quang Ninh reached its peak while several panel provinces lost ground. It narrowed again after the 2021 revision.

Rank movements were large in the middle of the distribution. Nghe An moved from 32nd in 2015 to 18th in 2019 and 2020, then fell to 44th in 2023 and stayed there in 2024. An Giang climbed from 39th to 17th by 2021, then dropped to 54th in 2022. Bac Kan improved by 29 places and 8.06 points in a single year to become runner-up in 2022. These swings are a reminder that, when scores are compressed, small changes in points translate into large changes in rank. A province can improve its score and still fall in the table, as Lang Son did in 2024 when its score of 69.01 was nearly unchanged yet it moved from 13th to 16th.

5.3 Persistence at the top and the metropolitan paradox

If the middle of the ranking was fluid, the top was remarkably stable. Quang Ninh appeared in the top five every year from 2013 to 2024 and held first place for seven consecutive years. Dong Thap was in the top five for thirteen consecutive years up to 2020. Long An, Ba Ria-Vung Tau, Hai Phong and Bac Giang became regular members of the leading group in the 2020s. Of the ten provinces that led the 2024 ranking, most are medium-sized provinces with an industrial or logistics base and an active provincial leadership.

The large metropolitan economies followed a different path. Ha Noi rose from 24th in 2015 to 9th between 2018 and 2020, then fell to 20th in 2022 and 28th in 2023 before recovering slightly to 24th in 2024. Ho Chi Minh City was

in the top ten in 2018 with 65.34 points and 14th in 2020, but fell 13 places to 27th in 2022. Da Nang, the most celebrated reformer of the early 2010s, slipped from first to 15th or 16th. In 2023, among the five centrally governed cities, only Hai Phong was in the top ten. We call this the metropolitan paradox: the places where firms are most numerous are not the places firms rate most highly.

Several explanations are plausible and none excludes the others. Large cities face more complex land, construction and inspection problems; their firms are more numerous and diverse, so expectations are higher; and their administrations are larger and slower to change. Medium-sized provinces, by contrast, can make visible improvements with a few determined leaders and a small number of major investors. The paradox matters because it means a high PCI rank is

not, by itself, a sign of a large or growing enterprise base.

5.4 Enterprise entry, exit and the size of the sector

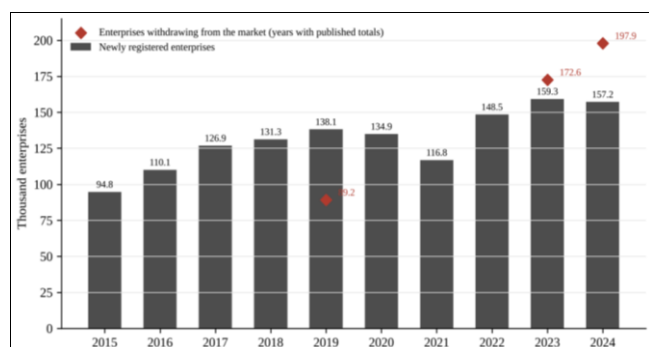
Table 4 and Fig 2 summarise the enterprise side. New registrations rose almost every year before the pandemic. They reached 94,754 in 2015, 26.6 percent more than in 2014, a jump widely linked to the 2014 Law on Enterprises. In 2016, for the first time, more than 100,000 enterprises were registered in a year (110,100), followed by 126,859 in 2017 and 138,139 in 2019, the fifth consecutive record. The pandemic interrupted the trend: registrations fell slightly to 134,941 in 2020 and by 13.4 percent to 116,839 in 2021. The recovery then pushed them to about 148.5 thousand in 2022 and a record 159,294 in 2023, before easing to about 157.2 thousand in 2024.

Table 4: Enterprise entry, exit and stock, 2015-2024

Year	Newly registered enterprises	Enterprises withdrawing from market	Active registered enterprises (31 Dec)	Enterprises with business results (31 Dec)	Active enterprises per 1,000 people
2015	94,754	—	—	—	—
2016	110,100	—	—	≈505,000	—
2017	126,859	—	—	560,417	—
2018	131,275	—	714,755	610,637	—
2019	138,139	≈89,200	758,610	—	7.9
2020	134,941	—	811,538	684,260	—
2021	116,839	—	—	—	—
2022	≈148,500	—	—	—	—
2023	159,294	172,578	≈921,400	—	—
2024	≈157,200	197,861	—	≈839,000 ^a	9.3

Notes: — = not compiled in this study. Withdrawals combine temporary suspension, cessation pending dissolution and completed dissolution; the 2019 figure is the sum of the three published components. ^a Derived from the 2026 Economic Census preliminary count for end-2025 (859,048) and its reported growth of 2.4% over 2024.

Sources: Business-registration releases of the Ministry of Planning and Investment and the statistics office; White Books on Vietnamese Enterprises 2019–2025



Source: Authors' compilation from official business-registration releases. Withdrawal totals shown only for years compiled in Table 4

Fig 2: Newly registered enterprises and enterprises withdrawing from the market, 2015–2024 (thousand)

Exits tell a less encouraging story. In 2019, about 89.2 thousand firms withdrew from the market (28.7 thousand temporary suspensions, 43.7 thousand awaiting dissolution and 16.8 thousand completed dissolutions); the figure for awaiting dissolution was inflated by the removal of about 17.7 thousand inactive registrations during a data-cleaning programme. By 2023 withdrawals had reached 172,578, the highest since 2017, and in 2024 they rose again to 197,861. Even counting the many enterprises that returned to operation, 58,412 in 2023, the margin between entry and exit had become thin. In the first quarter of 2024, the number of firms withdrawing exceeded the number entering and returning by 14.1 thousand.

Returns to operation form a quieter but important flow. In 2016, 26,689 enterprises resumed activity after a period of suspension; the number rose to 39.4 thousand in 2019 and 44.1 thousand in 2020, then dipped slightly to 43,116 in 2021 before climbing to 58,412 in 2023. The rise during the pandemic years suggests that many firms used temporary suspension as a way to wait out shocks rather than closing for good. This also means that withdrawal figures overstate permanent exit, and that the true net change in the business population lies somewhere between the gross entry figure and the gap between entry and withdrawal. The pandemic also changed the composition of entry: in 2021, firms with registered capital under 10 billion VND made up 87.7 percent of new registrations, and their number fell by 14.6 percent, while firms with capital above 100 billion VND rose by 14.1 percent. Shocks hit small entrants hardest.

The stock of firms nevertheless grew. Active registered enterprises numbered 714,755 at the end of 2018, 758,610 at the end of 2019, 811,538 at the end of 2020 and about 921.4 thousand at the end of 2023. Enterprises with business results grew from about 505 thousand at the end of 2016 to 560,417 in 2017, 610,637 in 2018 and 684,260 in 2020, and, by our derivation from the census results, to about 839 thousand in 2024. Density rose from 7.9 active enterprises per 1,000 people in 2019 to 9.3 in 2024. The long-standing official goal of one million enterprises, however, remained out of reach at the end of the decade.

5.5 Performance and spatial concentration

Performance indicators are published less regularly, but the

available figures are telling (Table 5). In 2017, total pre-tax profit of the enterprise sector reached 876.7 trillion VND, 23.1 percent higher than in 2016, and average monthly income per worker was 8.3 million VND. In 2018, net revenue reached 23.64 million billion VND, but the return on sales was only 3.8 percent and the return on equity 7.6 percent. Margins differed sharply by ownership: 5.6 percent for state-owned and foreign-invested enterprises, against 2.4 percent for domestic non-state firms, the very group the PCI surveys. In 2020, the national return on sales was 3.48 percent.

Table 5: Selected enterprise performance and spatial indicators

Indicator	Year	Value
Pre-tax profit, enterprises with business results	2017	876.7 trillion VND (+23.1%)
Average monthly income per worker	2017	8.3 million VND
Net revenue, enterprises with business results	2018	23.64 million billion VND (+14.4%)
Return on equity, all enterprises	2018	7.6%
Return on sales: all / state-owned / non-state / foreign-invested	2018	3.8% / 5.6% / 2.4% / 5.6%
Return on sales, national	2020	3.48%
Return on sales: Vinh Phuc (highest) / Ha Noi / HCMC / Hai Phong / Da Nang / Can Tho	2020	6.65% / 3.60% / 3.37% / 0.81% / -0.59% / 1.23%
Enterprise density per 1,000 people: HCMC / Ha Noi / Da Nang / Binh Duong / Bac Ninh / Ba Ria-Vung Tau / Hai Phong	2024	28.9 / 22.1 / 20.5 / 15.1 / 10.5 / 10.2 / 10.0
Provinces with falling enterprise density	2024	15 of 63

Sources: White Books on Vietnamese Enterprises 2019, 2020 and 2025; Statistical Yearbook 2021, as reported in official and press releases.

Spatial patterns are even more revealing. In 2020, the province with the highest return on sales was Vinh Phuc (6.65 percent). Among the centrally governed cities, Ha Noi recorded 3.6 percent and Ho Chi Minh City 3.37 percent, while Hai Phong recorded 0.81 percent and Da Nang a negative margin of 0.59 percent. Hai Phong and Da Nang were both in the PCI top ten that year. In other words, two of the best-governed cities by PCI standards had some of the weakest enterprise margins.

Enterprise density shows the same separation. In 2024, Ho Chi Minh City had 28.9 active enterprises per 1,000 people, Ha Noi 22.1, Da Nang 20.5, Binh Duong 15.1, Bac Ninh 10.5, Ba Ria-Vung Tau 10.2 and Hai Phong 10.0, against a national average of 9.3. The two leading cities by density, Ho Chi Minh City and Ha Noi, ranked outside the top 20 of the PCI in 2023. Quang Ninh, the dominant PCI leader of the decade, does not appear among the highest-density provinces. Hai Phong, the 2024 PCI leader, was the only province in that group whose density fell in 2024, by 1.4 percent. Fifteen provinces in all saw density decline in 2024, with Da Nang showing the steepest fall (4.0 percent).

5.6 Business confidence: The missing link

The clearest divergence appears in what firms said about their own plans. The PCI asks each year whether firms intend to expand in the next two years. In the 2023 survey only 27 percent did, down from 35 percent in 2022 and below the trough of 2012–2013. At the same time, 16.2 percent planned to downsize or close. Of fifteen specific

difficulties listed in the 2023 survey, eleven were reported by a larger share of firms than in the previous year, led by access to credit, finding customers (49 percent) and market volatility (34.5 percent, up 10.7 points). The 2024 survey showed a partial recovery, with 33 percent planning to expand.

Views of provincial officials softened at the same time, even as composite scores rose. The share of firms saying that provincial authorities were flexible within the law to help business fell from 86 percent in 2021–2022 to 82 percent in 2023 and 77 percent in 2024. In 2024, only 53 percent of firms observed a positive attitude of the provincial government toward the private sector, and a growing share reported that local officials responded to unclear central policies by delaying or doing nothing. The PCI's proactivity sub-index declined for three consecutive years to 2023. Table 6 brings these indicators together.

Table 6: Business sentiment and perceptions of provincial authorities in PCI surveys

Indicator	Earlier value	2023	2024
Firms planning to expand in the next two years	35% (2022)	27%	33%
Firms planning to downsize or close	—	16.2%	—
Firms reporting the province is flexible within the law	86% (2021–2022)	82%	77%
Firms observing a positive provincial attitude to the private sector	—	—	53%
Firms finding registration procedures transparent	—	—	93%
Firms saying local labour meets all or most needs	—	47%	54%

Sources: VCCI, PCI 2022, 2023 and 2024 reports, as summarised in provincial result reports and VCCI press releases

This combination is the heart of our finding. In the years 2022–2024, procedures became faster and more transparent, the median score kept rising, and new registrations set records. Yet firms became more pessimistic about expansion, more of them left the market, and fewer saw provincial leaders as active problem-solvers. The administrative side of governance improved while the developmental side, the willingness of officials to take responsibility and help, weakened.

6. Discussion

6.1 Reading the decade through the four channels

The evidence supports the entry channel for the period before the pandemic. National registration reform in 2015 and the steady gains in PCI entry and time-cost scores coincided with five consecutive years of record registrations. This is in line with international evidence that simpler entry raises registration (Bruhn, 2011; Klapper *et al.*, 2006) [4, 13]. The caution from that same literature also applies: registration counts include many very small firms, and in 2023 about 90.7 percent of newly registered enterprises had registered capital of up to 10 billion VND. More registrations do not automatically mean more productive firms (Kaplan *et al.*, 2011) [11].

The cost channel is harder to see. Informal charges declined according to the PCI, and time spent on administrative procedures fell. Yet aggregate margins remained thin, especially in the domestic private sector, and the provinces with the best governance scores did not show the best

margins. This does not prove that the cost channel is weak; aggregate margins depend on industry mix, the presence of large foreign or state firms and the business cycle. It does suggest that, at the provincial level, lower administrative costs were not large enough to change the profitability picture shaped by other forces (Dethier *et al.*, 2011) [6].

The confidence channel shows the strongest divergence. Rising composite scores coexisted with falling expansion plans and weaker perceptions of official proactivity. One reading is that the PCI's procedural indicators improved through digitalisation and standardisation, which require little discretion, while the indicators that depend on officials' willingness to act declined. Anti-corruption campaigns in the early 2020s are often cited in Vietnamese policy debate as having made officials more cautious. Our data cannot test that explanation, but the pattern in the survey answers is consistent with a shift from informal flexibility toward risk avoidance. Hallward-Driemeier and Pritchett (2015) [10] would recognise the result: rules on paper improved, while the deals firms experienced in practice did not.

Finally, the competing forces were evident throughout. Agglomeration kept enterprises concentrated in Ho Chi Minh City, Ha Noi and the southeastern and northern industrial belts, regardless of where those places stood in the PCI. The pandemic, the corporate bond and real-estate turmoil of 2022–2023 and the slowdown in export orders affected all provinces together and dominate the exit series. These forces are largely outside the control of provincial authorities, which limits how much any provincial governance index can explain.

6.2 Partial decoupling and what the PCI measures

We describe the overall pattern as partial decoupling. Governance and outcomes moved together in the first half of the decade, when national reform, rising scores and rising entry reinforced one another. They moved apart in the second half, when scores kept rising but confidence, exits and net formation reflected shocks and caution. Decoupling is partial because the link did not disappear: in no year did governance deteriorate across the board while business conditions improved.

Three features of the index help explain why decoupling is not surprising. First, the PCI measures the experience of firms that remain in business and answer the survey; firms that exited or never entered are not represented, so the index can improve even as exit rises. Second, convergence compresses scores, so the information that rankings carry about real differences becomes smaller over time. Third, the composite weights favour procedural dimensions that are easier to improve than the structural ones, such as land access and legal institutions, that matter most for investment decisions. These features do not make the PCI less valuable; they make it a measure of a specific thing, the quality of firms' interactions with provincial administration, rather than a general predictor of enterprise success.

6.3 What a ten-year descriptive record can and cannot show

It is worth being explicit about the strength of the conclusions. The record shows, without much doubt, that governance scores rose and converged, that leading positions were persistent, that registrations reached new highs and that exits rose faster than entry in the last years of the decade. It also shows that the provinces ranked highest

by firms differ from those where enterprises are densest or most profitable. These are facts about published aggregates. The record cannot show what would have happened without the governance improvements. It is entirely possible that business conditions in 2022–2024 would have been worse still had registration and administrative procedures not improved; in that case, governance did help, but other forces were stronger. It also cannot rule out reverse influence: provinces with active investors may score better because their firms press for and receive better service. And it cannot separate the many reforms that happened at once, from national law changes and digital public services to local initiatives. Our interpretation of partial decoupling is therefore a description of co-movement, not a claim that governance stopped mattering. We regard this modesty as a strength: a ten-year review that states what the data show and do not show offers a firmer starting point for causal research than a single estimate built on contestable assumptions.

6.4 Relation to earlier studies

Our findings refine, rather than contradict, earlier Vietnamese evidence. Studies using data from the 2000s found positive associations between provincial institutions and private-sector investment (Tran *et al.*, 2009; Nguyen *et al.*, 2013) [24, 19]. In that period, differences in governance were large and basic: some provinces took months to register a firm, others weeks. By the 2020s those basic differences had largely closed, and the remaining variation in composite scores is smaller and more related to perceptions. It is therefore reasonable that the association between rank and outcomes appears weaker at the end of the decade than in earlier studies. The concentration of the cost burden on domestic private firms, documented by Nguyen and van Dijk (2012) [18], remains visible in their lower margins compared with state and foreign firms.

7. Policy implications

Several implications follow for provincial authorities, for VCCI and for national policymakers, especially now that Vietnam has moved to 34 provinces.

First, provinces should treat the PCI as a diagnostic tool rather than a target. Chasing rank invites a focus on indicators that can be improved quickly, such as the speed of procedures, while neglecting harder issues like land access, the predictability of inspections and the willingness of officials to resolve cases. Provincial action plans would gain from pairing PCI sub-index targets with outcome indicators drawn from the White Book, such as the survival of new firms, the share of firms with business results and the density of firms with employees.

Second, the decline in proactivity should be addressed directly. Firms in 2024 reported more officials delaying decisions or doing nothing when central guidance was unclear. National measures that protect officials who act in good faith within the law, clarify responsibility and set time limits for responses to business petitions would address the confidence channel, which our evidence suggests has become the weakest link.

Third, the newly merged provinces need a fair baseline. Mergers combine provinces with very different scores and enterprise structures; for example, a high-scoring industrial province may now share an administration with a lower-scoring rural one. Assessment after 2025 should report

results for former provincial areas where sample sizes allow, so that weaknesses are not averaged away. It should also link governance measures to enterprise outcomes in the same territory from the start, which the old series did not do.

Fourth, metropolitan economies need tailored attention. The cities where enterprise activity is concentrated also showed weaker PCI ranks. Improvements there, even modest ones, affect far more firms than gains in small provinces. National reform priorities in land, construction permits and inspections are therefore most valuable where firms are densest.

Fifth, exit deserves as much policy attention as entry. Record registrations hid a growing number of firms leaving the market. Simpler and cheaper dissolution procedures, better data on why firms suspend operations, and targeted support for firms in their first years would help turn entry into lasting businesses.

Sixth, the statistical basis for evaluating local governance should be strengthened. During the decade, the governance record and the enterprise record were produced by different agencies on different schedules, with different definitions and little cross-reference. A shared set of provincial indicators, published annually and covering entry, returns, exits, survival after three years and the share of firms with employees, would allow the PCI and enterprise statistics to be read together routinely. The consolidation of provinces is an opportunity to set up such a series from a clean baseline, and to make provincial results comparable over time by publishing back-cast figures for the merged territories.

8. Conclusion

Over the decade from 2015 to 2024, Vietnam's provinces governed better by the measure that firms themselves provide. Median scores crossed and stayed above 60 points, gaps among provinces narrowed and administrative procedures became faster and clearer. The enterprise sector grew too: registrations set repeated records and the number of operating firms increased by more than half. Yet the official record does not support a simple story in which better governance leads to better enterprise outcomes everywhere. The provinces at the top of the PCI are not the centres of enterprise activity, profit margins remain thin and uneven, exits rose sharply after 2021, and business confidence fell to a low point in 2023 while scores kept rising. We describe this as a partial decoupling between perceived governance quality and enterprise outcomes.

The decade also holds a methodological lesson for anyone who uses governance rankings. Rankings are most informative when differences between places are large. As provinces converged, the ranking became more sensitive to small changes and to the mood of respondents, and less informative about real differences in conditions. Users of the index, from investors to central agencies, would do well to look at scores, sub-indices and survey details rather than ranks alone, and to read them alongside enterprise data for the same territory.

The study has limitations that follow from its design. It uses aggregate published figures, so it cannot identify causal effects or separate the influence of governance from that of industry structure and location. The PCI's methodology revisions and its partial disclosure after 2022 limit long comparisons. Some enterprise series are not published every year, and a few values had to be rounded or derived. The eight-province panel illustrates patterns but does not

represent all 63 provinces.

Future research can build on this work in three directions. Firm-level studies linking the PCI microdata with enterprise census records would make it possible to follow the same firms across governance changes. Analysis of the new 34-province assessment can test whether consolidation strengthens or weakens the link between governance and outcomes. And studies of official behaviour, using both survey and administrative data, can clarify why proactivity declined and what reverses it. The original PCI series has closed. Its last decade offers a clear lesson for the next: measuring how well provinces govern is valuable, but it is most useful when read together with what happens to the firms being governed.

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