

CHAPTER FOUR

RESEARCH FINDINGS

4.1 COMPANY PROFILE

There were a total of 21 companies interviewed for the purpose of this research.

The profile of these companies are shown in table 4.1

Majority of companies doing business in Vietnam are public listed companies(57.1%), this is followed by private limited companies (38.1%). There is also a public company owned by the government which constitute 4.8%. The reason public listed companies from Malaysia constitute the largest proportion of investors could be attributed to the fact that these companies have established financial and business standing within the country as well as abroad. Further compared to any other type of business these companies can afford to take the risk. This observation was made based on the comments given by respondents.

Majority of companies involved in Vietnam invested between RM5 million to RM9.9 million (38.1%). The second largest group are those who have invested between RM1 million to RM 4.9 million. Third largest group are companies investing between RM500,000 to RM999,999 (23.8%). Finally it is followed by

companies investing less than RM500,000 and more than RM10 million where each constitute 4.8% of the respondent.

This particular finding reflect the fact that most Malaysian companies are rather cautious before investing too much money. Most of them have echoed the sentiment that they are basically testing the waters before plunging in to it.

As for the type of business, most of the investment are on joint venture basis (52.4%), followed by foreign direct investment (FDI)(42.9%) and finally licencing which constitute the least (4.8%).

This is very natural because joint venture would be ideal especially in establishing ones business in a foreign land and particularly since Vietnamese government encourages such ventures.

As for FDI, generally these are undertaken for infrastructural development projects based on "turnkey" concept.

On the factor of type of industry involved there were nine items that were prominent. Construction of offices and apartment was the highest(23.8%), secondly food processing (19%), thirdly construction of processing zones and Transportation and Telecommunication (14.3% each), fourthly Agro - Forestry (9.5%) and lastly Hotel and Tourism and seafood processing (4.8%).

If we take a closer look we find that the majority of projects are connected with infrastructural development and construction projects. This actually shows the current emphasis on Vietnam.

Most Malaysian companies (61.9%) have 3 to 5 year projects in Vietnam.

Finally most Malaysian companies (81%) expect return on investment within 1 to 2 years.

4.2 MALAYSIAN INVESTORS PERSPECTIVE ON VIETNAM

This part deals with section one of the questionnaire and is divided into 3 categories for ease of analysis.

The first category of question (item 1j and 1m), indicates the perception the respondent have towards Vietnamese expectation on foreign investment. Refer table 4.2.

For question 1j the majority of the respondents (52.4%) tend to agree that Vietnamese government is very supportive towards investors who are in for long term.

As for question 1m, most respondent (28.6%) agree that Vietnamese government supports infrastructural development investment with 23.8% who strongly agree.

The scale mean is 8.43, and the average mean is 4.22. This shows that there is a moderately high number of respondent agree that long term investment is welcomed by the Vietnamese government.

The second category of question (item 1a, 1b, 1c, 1n, 1r, and 1s) indicates the general perception respondents have towards Vietnam. Refer table 4.2.1.

For item 1a majority of respondents(61.9%) agree that Vietnam is a potential investment haven. Followed by 38.15% who strongly agree.

For item 1b, majority of respondent (47.6%) disagree that it is easy to invest in Vietnam. With 33.35% neither agree nor disagree and 19% strongly disagree.

For item 1c most respondents (57.1%) agree that Malaysia is given privilege because Vietnam is a member of Asean only 9.5% of respondent did not agree.

For item 1n most respondent (57.1%) agree that infrastructural development would take more than 3 years to complete.

For item 1r most respondents (52.4%) agree that Malaysians companies wants to establish long term relationship with Vietnam With 47.6% who strongly agree.

For item 1o most respondents neither agreed nor disagreed that labour is cheap in Vietnam, with 38.1% agreed and 14.3% disagreed.

For item 1s majority of the respondents (52.4%) agree that Malaysian companies who wanted to make a “quick buck” failed miserably.

For question 1t all respondents unanimously (100%) agreed that to be successful Malaysian companies need to prove their sincerity and commitment to the Vietnamese government.

The mean score for all respondents in the survey is 29.91 with average mean of 3.741. There is a moderate number of respondents who are very positive and optimistic about Vietnam.

The highest mean recorded was for item 1r (mean = 4.476) where it is significant that establishing long term business investment is vital.

The third category of questions (items 1d, 1e, 1f, 1g, 1h, 1i, 1k, 1l, 1o and 1q) attempts to look at the barriers Malaysian companies face in doing business in Vietnam. Refer table 4.2.2.

For item 1d majority of respondents(52.4%) agree that Vietnamese banking system is a barrier to Malaysian business.

For item 1e most of the respondents (61.9%) disagree that investment procedure in Vietnam is simple and standard. Followed by 38.1% who strongly disagree.

For item 1f most respondents (66.7%) agree that there are conflicting laws pertaining to investment in Vietnam. Further 33.3% of them strongly agree.

For item 1g most respondent (42.95) disagree that political situation is not a major concern for investment decision.

For item 1h majority of the respondent (52.4%) disagree that MIP provides sufficient assistance to foreign investors. Followed by 28.6% who strongly disagree.

For item 1j majority of the respondents (71.4%) neither agree nor disagree that corruption is a major hindrance in investment in Vietnam. This could be attributed to the fact that as a sensitive matter the respondents rather not comment on it. However 19% of the respondents strongly agree with the statement.

For item 1l 81% of the respondent agree that infrastructural facility is greatly lacking in Vietnam to do conduct efficient business.

For item 1o most respondents 47.6% neither agreed nor disagreed that technology is greatly lacking in Vietnam. Followed by 38.1% who agree and 14.3% who disagree.

For item 1q 66.7% of the respondent agree that Vietnamese foreign investment laws are very complicated and often contradictory. Whereas 33.3% of the respondents strongly agree.

The mean score for all respondents in this category is 33.8 with average mean of 4.34.

The most significant item is 1k (mean = 4.762) where moderately high number of respondent agree that it is very important to clarify all legal matters before investing in Vietnam.

The other significant finding is that item 1e, where greater number of respondents disagree that investment procedure in Vietnam is simple and standard (mean = 1.619).

4.3 BARRIERS TO INVESTMENT IN VIETNAM

For this part refer to table 4.3

In this section the item which was ranked 1 was item 2f where 85.7% of respondents stated that conflicting and unclear investment laws as the greatest barrier

in Vietnam. Followed by item 2g (political instability), third item 2d (lack of infrastructure), fourth item 2j (poor role played by MIP), fifth item 2b (lack of technology), sixth item 2e (poor banking system), seventh item 2c (corruption), eighth item 2j (distrust of Vietnamese towards foreigners), ninth item 2a (unskilled labour) and tenth item 2h (language).

The most significant factor based on this analysis is that conflicting and unclear investment laws are the major concern for Malaysian investors (mean = 1.190). Followed by political instability (mean = 2.238) and thirdly lack of infrastructure (mean 3.095).

Table 4.1 :**PROFILE OF COMPANIES**

TYPE OF BUSINESS OWNERSHIP	FREQUENCY	%
Private Limited Companies	8	38.1
Public Companies (Government Owned)	1	4.8
Public Listed Companies	12	57.1
Total	21	100.0
TYPE OF BUSINESS		
Joint Venture	11	52.4
Licensing	1	4.8
Foreign Direct Investment	9	42.9
Total	21	100
AMOUNT OF INVESTMENT IN VIETNAM		
Less than RM500,000	1	4.8
RM 500,000 - RM 999,999	5	23.8
RM1,000,000 - RM4,999,999	6	28.6
RM5,000,000 - RM9,999,999	8	38.1
More than RM10,000,000	1	4.8
Total	21	100
TYPE OF INDUSTRY INVOLVED		
Oil & Gas Industry	1	4.8
Construction of Processing Zones	3	4.3
Light Industry	1	4.8
Food Processing	4	19.0
Agro / Forestry	2	9.5
Hotel / Tourism	1	4.8
Construction of Offices	5	23.8
Transportation and Telecommunication	3	14.3
Seafood Products	1	4.8
Total	21	100

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LENGTH OF PROJECTS		
Less than 1 year	3	14.3
1 - 3 years	5	23.8
3 - 5 years	12	57.1
More than 5 years	1	4.8
Total	21	100
NO. OF BUSINESS PROJECT		
1	13	61.9
2	5	23.8
3 and more	3	14.3
Total	21	100
EXPECTED PERIOD FOR RETURN OF INVESTMENT		
1 - 3 years	17	81.0
3 - 5 years	4	19.0
Total	21	100

Table 4.2:

EXPECTATION OF VIETNAM ON FOREIGN INVESTMENT

	Statement	FQ	%	Item Mean	Std. Dev.
1j	The Vietnamese government is supportive of investors who are in for a long term (more than 3 years) rather than short term.			4.476	0.512
	SD	0	0		
	D	0	0		
	N	0	0		
	A	11	52.4		
	SA	10	47.6		
	TOTAL	21	100		
1m	Vietnames government supports infrastructural developemnt investment in Vietnam.			3.952	0.740
	SD	0	0		
	D	0	0		
	N	6	28.6		
	A	10	47.6		
	SA	5	23.8		
	TOTAL	21	100		
	Scale Mean = 8.43			4.22	

Table 4.2.1:

PERSPECTIVE OF MALAYSIAN COMPANIES TOWARDS VIETNAM

	Statement	FQ	%	Item Mean	Std. Dev.
1a	Vietnam is a potential investment haven.			4.381	0.498
	SD	0	0		
	D	0	0		
	N	0	0		
	A	13	61.9		
	SA	8	38.1		
	TOTAL	21	100		
1b	It is easy to invest in Vietnam.			2.143	0.727
	SD	4	19.0		
	D	10	47.6		
	N	7	33.3		
	A	0	0		
	SA	0	0		
	TOTAL	21	100		
1c	Vietnam being in ASEAN accords special privilege to Malaysian companies.			3.429	0.676
	SD	0	0		
	D	2	9.5		
	N	8	38.1		
	A	11	52.4		
	SA	0	0		
	TOTAL	21	100		

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1n	Most infrastructural developemnt takes more than 3 years to complete.			4.429	0.507
	SD	0	0		
	D	0	0		
	N	0	0		
	A	12	57.1		
	SA	9	42.9		
	TOTAL	21	100		
1r	Most Malaysian companies want to establish long term relationship with Vietnamese business partners.			4.476	0.512
	SD	0	0		
	D	0	0		
	N	0	0		
	A	11	52.4		
	SA	10	47.6		
	TOTAL	21	100		
1s	Many Malaysian companies wanted to make "a quick back" and failed miserably in Vietnam.			3.524	0.512
	SD	0	0		
	D	0	0		
	N	10	47.6		
	A	11	52.4		
	SA	0	0		
	TOTAL	21	100		

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1t	To be successful in Vietnam, Malaysian companies need to prove their sincerity and commitment to the Vietnamese government.			4.000	0.000
	SD	0	0		
	D	0	0		
	N	0	0		
	A	21	100		
	SA	0	0		
	TOTAL	21	100		
1p	Labour is abundant and cheap in Vietnam.			3.524	0.680
	SD	0	0		
	D	2	9.5		
	N	6	28.6		
	A	13	61.9		
	SA	0	0		
	TOTAL	21	100		
	Scale Mean = 29.91			3.74	

Table 4.2.2:

**MALAYSIAN INVESTORS PERCEPTION TOWARDS INVESTMENT
CONDITIONS IN VIETNAM**

	Statement	FQ	%	Item Mean	Std. Dev.
1d	Single most important barrier towards investment in Vietnam is its banking systems.			3.381	0.740
	SD	0	0		
	D	3	14.3		
	N	7	33.3		
	A	11	52.4		
	SA	0	0		
	TOTAL	21	100		
1e	Investment procedure for foreign companies is simple and standard.			1.619	0.498
	SD	8	38.1		
	D	13	61.9		
	N	0	0		
	A	0	0		
	SA	0	0		
	TOTAL	21	100		
1f	There are conflicting laws pertaining to investment in Vietnam.			4.333	0.483
	SD	0	0		
	D	0	0		
	N	0	0		
	A	14	66.7		
	SA	7	33.3		
	TOTAL	21	100		

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1g	Vietnam's current political situation is not a major concern for investment decision.			2.905	0.889
	SD	0	0		
	D	9	42.9		
	N	5	23.8		
	A	7	33.3		
	SA	0	0		
	TOTAL	21	100		
1h	Vietnam's Ministry of Investment and Planning provides sufficient assistance to foreign investors.			1.905	0.700
	SD	6	28.6		
	D	11	52.4		
	N	4	19.0		
	A	0	0		
	SA	0	0		
	TOTAL	21	100		
li	Corruption is a major hindrance to Malaysian investors.			2.714	0.463
	SD	0	0		
	D	6	28.6		
	N	15	71.4		
	A	0	0		
	SA	0	0		
	TOTAL	21	100		

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1k	It is very important to clarify all legal matters before actually investing in Vietnam.			4.762	0.436
	SD	0	0		
	D	0	0		
	N	0	0		
	A	5	23.8		
	SA	16	76.2		
	TOTAL	21	100		
1l	Infrastructural facility is greatly lacking in Vietnam.			4.190	0.402
	SD	0	0		
	D	0	0		
	N	0	0		
	A	17	81.0		
	SA	4	19.0		
	TOTAL	21	100		
1o	Technology is greatly lacking in Vietnam.			3.238	0.700
	SD	0	0		
	D	3	14.3		
	N	10	47.6		
	A	8	38.1		
	SA	0	0		
	TOTAL	21	100		

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1q	Vietnamese foreign investment laws are very complicated and often contradictory.				
	SD	0	0	4.333	0.483
	D	0	0		
	N	0	0		
	A	14	66.7		
	SA	7	33.3		
	TOTAL	21	100		
	Scale mean = 33.38			4.34	

Table 4.3:

**RANKING OF BARRIERS TO INVESTMENT IN VIETNAM FOR
MALAYSIAN INVESTORS**

	Item / Barriers	Ranking	FQ	%	Mean	Std.Dev
a.	Unskilled Labour	9	14	66.7	9.143	0.573
b.	Lack of technology	5	11	52.4	5.476	0.512
c.	Corruption	7	14	66.7	7.333	0.483
d.	Lack of infrastructure	3	17	81.0	3.095	0.436
e.	Poor banking systems	6	11	52.4	5.524	0.512
f.	Conflicting and unclear Investment Law	1	18	85.7	1.190	0.512
g.	Political instability	2	16	76.2	2.238	0.700
h.	Language	10	14	66.7	9.667	0.483
i.	Distrust by Vietnamese towards foreigners	8	12	57.1	7.619	1.532
j.	Poor role played by Ministry of Investment and Planning	4	16	76.2	3.714	1.231

Key:		
Std.Dev - Standard Deviation	FQ - Frequency	% - Percentage
SD - Strongly Disagree		
N - Neither Agree Nor Disagree		
D - Disagree		
SA - Strongly Agree		
A - Agree		