INTERNATIONAL JOURNAL OF MULTIDISCIPLINARY RESEARCH AND ANALYSIS

ISSN(print): 2643-9840, ISSN(online): 2643-9875

Volume 08 Issue 12 December 2025

DOI: 10.47191/ijmra/v8-i12-50, Impact Factor: 8.266

Page No. 7017-7029

State Effectiveness in FDI Promotion: A Quantitative Policy Analysis in Dong Nai Province

Vuong Duc Tang

People's Committee of Tan Hung Commune, Dong Nai Province, Vietnam

ABSTRACT: The study examines the importance of state effectiveness to attract foreign direct investment (FDI) at the sub-national level, and adopts the Dong Nai Province, Vietnam, as the setting. Within a survey of 200 foreign investors, and using multiple linear regression modeling, this study examines the effect of six dimensions of governance: administrative procedure efficiency; transparency and stability of policy; quality of infrastructure; policy incentives; institutional capacity; and digital public service delivery. The findings indicate that each of the six variables has positive and statistically significant effects on the effectiveness of attracting FDI, with institutional capacity being the most important dimension of state effectiveness for attracting investment. Overall, this study showcases the role of local governance systems in shaping the local environment for investors, offering investment clearances, procedures, and assisting them with maintaining FDI levels in the long run. Contributions to literature on sub-national investment promotion are made by considering the state effectiveness from a multidimensional perspective. Policy implications are drawn, suggesting that governance reform should develop integrated, multi-level forms of orders that account for service delivery and institutional quality in addressing state capacity.

KEYWORDS: FDI attraction; state effectiveness; governance quality; provincial investment policy; Dong Nai; administrative efficiency; institutional capacity; Vietnam; public service delivery; investment climate.

1. INTRODUCTION

Since its launch with the *Đổi Mới* reforms in 1986, foreign direct investment (FDI) has been an important catalyst for Vietnam's economic growth and structural transformation. Within its strategy to intensify international integration and promote industrialization, Vietnam has actively sought to establish itself as a competitive FDI destination; on average over the last decade, Vietnam received annually over 30 billion USD of registered FDI (Ikebe, 2023), with strong contributions to export performance, employment, and technology transfer. Dong Nai Province indicates a promising aspect in FDI, which has met the country's overarching vision for future industrial development, as it is located within the south's key economic region and adjacent to Ho Chi Minh City, it has developed a dense and relevant system of industrial zones, highly skilled labor-associated training, and an infrastructural model that has advanced more than other areas of Vietnam. As of 2023, the province listed more than 1,500 FDI projects from over 40 countries that totalled over 34 billion USD in registered capital (Le, 2025), but under more pressure than ever, Dong Nai must be aware of its mounting competition and adapting investor expectation to maintain its attractiveness to high-quality FDI.

Recent studies have increasingly emphasized the role of the quality of state management (especially sub-national) as a determinant of FDI performance. While macroeconomic stability, size of market, and labor costs all still have a role to play, local effectiveness of state management is now a critical criterion among investors when choosing and maintaining company operations. Key aspects of effective management include reducing the cost of business-like registration or administrative processes, improving accessibility (and transparency) of policy implementation processes, reliability of infrastructure, and responsiveness of institutional behaviour, and whether digital public services (e-government) are available (World Bank, 2020; VCCI & USAID, 2023). Within Vietnam's devolved governance system, provincial administrations retain a good level of discretion with regard to interpreting and implementing national policies, managing administrative processes, and facilitating investor services. Therefore, differing levels of investment often trend closely with the differing levels of investment performance, quality, and professionalism of local state's management arrangements.

Although millions of dollars in FDI are made in Thailand, Europe's multinational corporations still prefer to invest in Vietnam. Given its strategic importance, research on domestic FDI attraction is lacking on Dong Nai and more broadly on provincial governance in Vietnam. Furthermore, existing studies on the topic are largely concerned with economic factors or legislation at the national level, and do not fully explore practical dimensions of governance at the local level that may have an impact on investors' actions. Very few studies have examined objective performance outcomes (e.g., annual FDI inflows or number of investment projects) and subjective outcomes simultaneously (e.g., investor satisfaction with licensing procedures or investors' perceptions of transparency). The absence of integrated and policy-oriented research on the subject is a gap in the literature, especially for study sites. As governments around the world become more data-driven and accountable to the public, this is an uncommon finding.

This study fulfills this gap by providing a quantitative assessment of the management effectiveness of the state in attracting FDI in Dong Nai Province. The dimensions of public governance that are examined are: the effectiveness of administrative procedures, transparency and stability of policies, the quality of infrastructure, investment incentives, institutional capacity, and digital public services. Using primary survey data from FDI enterprises and secondary data from provincial authorities, the research will assess how the factors of governance impact the effectiveness of attracting FDI. It is anticipated that the findings would have both theoretical and practical implications, which would include evidence-based recommendations that aim to strengthen provincial policy capacity and enhance the investment environment in Dong Nai.

2. LITERATURE REVIEW

2.1. Foreign Direct Investment Attraction Effectiveness

Foreign direct investment (FDI) has long been established as a key driver of economic development in emerging and transitional economies. It serves to stimulate capital accumulation, technology transfer, job creation, productivity increases, and export diversification (Dunning, 1993; Azémar & Giroud, 2023). The extent to which foreign investment is effectively attracted is conventionally reflected through various quantitative indicators such as levels of annual FDI inflows, the number of newly registered projects, and the retention and reinvestment rates of existing investors (Brian, 2015). These indicators provide a basic understanding of a locality's capacity to attract and secure foreign investment over time.

Nonetheless, neoteric scholarship has increasingly highlighted quantitative data sources, but using them alone cannot completely define the facets of the effectiveness of FDI. Increased attention is now focused on qualitative factors—particularly perceptions by investors, satisfaction, and quality of interaction with local institutions. Harding and Javorcik (2012) regard investor experience, including perceptions of transparency, efficiency, and stability of regulation, as the biggest factor influencing the original location choice and probability of retention and their continuing development. Therefore, if the attraction of any FDI investment is to be properly gauged, it will need to include hard data and soft factors around the quality of governance and service delivery.

In Vietnam, Dong Nai Province is among the top performers at the sub-national level in terms of successfully attracting FDI. It is geographically well-positioned to Ho Chi Minh City, has a number of well-planned industrial zones, and provincial leadership has proactively implemented administrative reform to create a favorable investment environment. Nonetheless, there are continuing disparities in FDI performance across regions, driven at least in part by some regions having weaker local governance capacity and institutional responsiveness than others (Do & Park, 2022). Thus, a meaningful consideration of FDI attraction effectiveness in provinces like Dong Nai should also include, in addition to using aggregate investment volumes, investor perceptions, developmental performance, and quality of interactions with public services. By considering perceptions and interactions with local administrative processes, more nuanced analysis can be used to develop foreign investment solutions and similarly deploy more targeted policy tools.

2.2. Administrative Procedure Efficiency

Administrative efficiency is an important component of investment climate reforms, especially in developing and transition economies characterized by extensive bureaucratic obstacles and excessive regulatory burdens that still act as barriers to attracting and retaining foreign direct investment. Efficiencies in administrative processes, such as shorter processing times, reduced licensing requirements, and the introduction of "one-stop-shop" processes, along with a raft of other reforms, have been identified as effective ways to improve ease of doing business overall (World Bank, 2020). Indeed, efficient administrative processes, in addition to lowering transaction costs, also develop confidence in investors who see by these procedures that there is a government (whatever their agenda) that is committed to transparency and facilitation.

A large amount of empirical evidence supports the positive relationship between administrative efficiency and foreign direct investment inflows. Djankov et al (2002) show, for instance, that excessive regulatory burdens and delays in the approval process can lower the chances of new investment, particularly in the manufacturing and export sectors. Likewise, Adibi & Lee (2022) show that administrative processes that are clear, timely, and predictable drive foreign investors' satisfaction and decisions to expand their operations. The findings highlight the importance of state responsiveness to develop a competitive investment environment.

In Vietnam, administrative performance differs widely across provinces due to the differentiation of institutional capacity and reform commitment. The annual Provincial Competitiveness Index (PCI), jointly created by the Vietnam Chamber of Commerce and Industry (VCCI) and USAID, is a relative performance measure for administrative capabilities. The PCI ranks provinces with a comparable approach of using investor surveys and official data. The dimensions included in the index are entry costs, time to obtain licenses, and informal fees. Observably, provinces ranked high on the PCI (indicating lower regulatory burdens and a more efficient system) have better FDI outcomes. Dong Nai has performed reasonably well in this regard but faces difficulties with reducing administrative bottlenecks and service delivery, in particular investment licensing procedures and inter-agency cooperation (VCCI & USAID, 2023). Therefore, improving the efficiency of administrative procedures remains a key policy avenue to maintain Dong Nai's attractiveness for foreign investors.

2.3. Transparency and Policy Stability

It is well established that transparency and consistency in policies are prerequisites for creating an environment favorable to foreign direct investment. More specifically, investors are inclined to invest in jurisdictions where legal and regulatory infrastructures are enforced equally, policy changes are rare and communicated effectively, and governance structures limit ambiguity of interpretation and discretionary application (Globerman & Shapiro, 2003). The ability of governments to create a transparent and consistent policy environment correlates with lower levels of investment risk and increased investor confidence, especially at the level of long-term capital commitments.

The recent increase in empirical research has shown that regulatory uncertainty - in the forms of repeated changes in law, uncertain administrative rules, and inconsistent enforcement - can deter foreign investors. In this regard, Busse and Hefeker (2007) cite the examples of how uncertainty in policy implementation diminishes not only the possibility of project planning and cost forecasts, but also the credibility of the state institutions. Therefore, there is no doubt that a stable and transparent regulatory environment is a determining aspect of location decisions for investment, and particularly for those industries with large sunk costs or long payback periods.

In transitional economies such as Vietnam, where institutions are still evolving, the problem of transparency and predictability is particularly challenging. Even though national-level reforms have improved the business climate, there remains considerable variation across provinces in terms of policy transparency and consistency at the local level. The ability and willingness of provincial leaders to maintain stability in existing regulations, to give timely notice of new policy decisions, and to provide clear procedural instructions for investors has a direct impact on investor perception and behaviour (Nhuong et al., 2021). In this sense, Dong Nai's ability to provide a transparent and predictable investment environment will be critically important for continuing to attract high-quality FDI. The institutionalization of policy communication, reduction in arbitrary decision-making, and general standardization of administrative processes will help reinforce investor confidence and reduce their transaction costs from regulatory risk.

2.4. Infrastructure Quality

The quality of infrastructure is among the important factors influencing FDI (foreign direct investment) location decisions. The effectiveness and reliability of infrastructure - in particular, transportation, energy, water, and telecommunication - are very important as these elements will directly affect organizational productivity, logistics costs, and market access (Asiedu, 2006; Calderón & Servén, 2010). Strategically, regions with better infrastructure development will better position themselves in global value chains and will be more successful in attracting higher-quality, long-term investment.

Quality infrastructure can provide support not only to the physical transport of goods/services but also enables and improves supply chain reliability, reduces transaction costs, and can even support just-in-time production models that many multinationals employ. Thus, the presence and quality of infrastructure can act as an important signal of a locality's readiness and preparedness for large-scale industrial and commercial activities.

In particular, infrastructure development has been fundamental to Dong Nai Province's competitive advantage in relation to attracting FDI. The province has a network of industrial zones that are closest to major expressways, access to deep-sea ports, and a stable supply of electricity, and these factors reduce the logistical bottlenecks that can cause inefficiencies in production; the state of infrastructure factors into the local investors' actual or perceived situational factors that rely on the physical availability of factors. That is, as Van Can and Dang observe, investors perceived infrastructure adequacy per situational characteristics (reliability, maintenance, availability) can guide the placement of sites, as much as actual infrastructure availability. Therefore, for

Dong Nai Province to continue to attract FDI, the focus must remain on both the infrastructure inventory and quality of service. Having a plan for infrastructure development that recognizes investors' expectations and demands is invaluable for an identifiable future investment attractiveness.

2.5. Investment Incentives

Investment incentives continue to be a frequently used policy tool by governments desiring to strengthen their competitiveness in attracting foreign direct investment (FDI). Investment incentives are typically tax exemptions on corporate income, fewer fees on land use, exemptions on import duties, and various financial or regulatory advantages offered to foreign investors (Zee et al., 2002). If planned effectively and targeted wisely, incentives can be an effective tool to attract capital, especially to sectors or areas with structural disadvantages.

Nonetheless, the efficacy of investment incentives can vary and depend on how transparent, predictable, and well integrated with the other factors of development objectives it is. Moran et al. (2005) and James (2013) warn that poorly designed incentives, particularly those that do not have clear eligibility criteria or incentives that are administered without transparency, may distort competition in markets and produce little or no long-term benefits to the economy. In some examples, incentives resulted in attracting investments with a short-term or speculative view with little or no spill-over effects in job creation, technology transfer, or supply chain integration.

In Vietnam, investment incentives are typically utilized as an instrument of FDI attraction at both the national and provincial level, particularly for environmentally-friendly, developmentally supportive, or essential sectors and regions such as industrial zones and technology investment. Importantly, past research has demonstrated that while investment incentives can be effective, they are only effective in the context of other key factors that enhance ability, such as good governance practices, strong local infrastructure, and effective administrative procedures (Nguyen et al., 2020). In other words, when any capability was lacking (e.g., Dong Nai, where the baseline competitiveness of the province is already considerably high), the value of financial incentives decreased significantly depending on their definition as well as the consistency of implementation in respect of investor engagement. Isolating incentives from governance, if aligned with various sector prioritization, and communicated in predictable, transparent frameworks, can benefit the perceived authority of local governments and support predictability in the investment environment with investors. As such, using them judiciously in a strategic manner will always need to show alignment to influence investor perceptions of attraction but also never be underestimated as a way to overcome certain challenges in relation to drivers of context for a city in a developing economy in changing the way counties do things or the mandates of the broader governance, accountability, economic and business development contexts in which they work within.

2.6. Institutional Capacity

Institutional capacity, or the level of administrative, organizational, and technical capacity of government institutions to carry out policies, is an important factor in not only FDI, but in particular the ability of sub-national, or local governments, to promote investment. Strong institutional capacity is critical to allowing local governments to coordinate across relevant departments (e.g., planning, development approvals, etc.), deliver timely information to investors, negotiate through administrative log-jams, and enforce contracts in a fair, predictable way (Rodrik, 2008). When institutional capacity and ability are limited, it tends to take much longer to engage in the completion of major investments, with uncertain results. Strong institutional capacity also enhances the credibility and efficiency of public service delivery as an essential component of an attractive investment climate. High-performing institutions require the presence of well-trained public officials, good procedures that are publicly stated, internal accountability mechanisms, and an awareness and response to the changes that potential investors require. In summarizing the work of Acemoglu and Robinson (2012), inclusive and competent institutions not only encourage economic growth, but provide the institutional foundation for legitimate governance required for ongoing, sustained engagement with the private sector. In the FDI moment, institutional capacity is especially important to ensure that investment and investment policies are not only adopted, but implemented with consistency, transparency and simplicity.

In such provinces as Dong Nai, institutional capacity is demonstrated through the professionalism of investment promotion agencies, the availability of competent human resources, and the ability of competent local authorities to listen to investors and facilitate solutions to their problems. Based on the study by Coxhead et al. (2023), provinces with higher levels of institutional competence—compared to other provinces based on performance indicators and ratings of investor satisfaction—have tended to attract and retain more FDI. These provinces are also more effective at navigating agency cooperation, sustaining policy continuity, and providing aftercare to encourage reinvestment and long-term investor commitment. Strengthening institutional capacity is, then, simultaneously a responsibility of governance and a way of improving Dong Nai's competitive positioning in an increasingly global investment capital landscape.

2.7. Digital Public Services

Digital transformation of public administration has become a key enabler of investment facilitation in today's context. The digitalization of administrative processes – using digital tools such as e-government, online licensing, and real-time information portals – has been shown to greatly improve the efficiency, accessibility, and transparency of these processes (Nayyar, 2022). As a result of these digital tools, foreign investors face lower transaction costs, fewer requirements for face-to-face interactions, and increased predictability about regulation compliance with a better investment climate.

In the last few years, several empirical studies from Southeast Asia have confirmed that public service delivery using digital facilities is positively related to FDI outcomes. The Asian Development Bank (2021) reported that provinces or regions with better digital governance infrastructure typically have better investor satisfaction, quicker approval, and better coordination of investment agencies. Digital services go beyond administrative convenience as they not only streamline administrative functions, but can also demonstrate more bureaucratic accountability by the reducing opportunities for discretionary enforcement and informal payments.

The Vietnamese government has committed to digital transformation at the national level, with Resolution No. 17/NQ-CP (2019) advocating for the establishment of a digital government through a roadmap to be carried out by 2030. This has resulted in several significant steps toward completing the digitalization of public services at provincial systems, some of which directly relate to investment processes, including business registration, tax declaration and licensing, for significant provinces like Dong Nai, the use of digital services will present a timely opportunity to offer an enhanced governance experience, with better quality services that may provide a competitive advantage for FDI promotion. As is the case in any sector, the effectiveness of these functions depends on the quality of implementation, user access and navigation through the systems, inter-agency coordination and interoperability, and ongoing investment in human resources and digital infrastructure.

Based on literature reviews, the following hypotheses are proposed:

Hypothesis 1 (H1): Transparency and Policy Stability have a positive and significant impact on Administrative Procedure Efficiency.

Hypothesis 2 (H2): Infrastructure Quality has a positive and significant impact on Administrative Procedure Efficiency.

Hypothesis 3 (H3): Investment Incentives have a positive and significant impact on Administrative Procedure Efficiency.

Hypothesis 4 (H4): Institutional Capacity has a positive and significant impact on Administrative Procedure Efficiency.

Hypothesis 5 (H5): Digital Public Services has a positive and significant impact on Administrative Procedure Efficiency.

Hypothesis 6 (H6): FDI Attraction Effectiveness has a positive and significant impact on Administrative Procedure Efficiency.

3. METHODOLOGY

3.1. Instrument and participant

The final sample consisted of 200 foreign investors whose investment projects were located in Dong Nai Province. Table 1 provides a summary of the demographics of the sample, cross-tabulated with their investment size, country of origin, sector of investment, and year they commenced investing in Vietnam. With respect to country of origin, the largest proportion of investors were from Singapore (52.4% invested between USD 5–20 million); the second largest were from Japan, followed by Korea and China. Both Korean (42.1%) and Chinese (33.3%) showed the largest proportions of projects over USD 20 million, which denotes a deeper capital commitment from these countries. In sectoral terms, the manufacturing sector accounted for the largest proportion in the study sample, with 59.4% investing between USD 5–20 million and 31.7% greater than USD 20 million. The high-tech sector has seen the largest proportion of large-scale projects, with 48.8% of the investors having over USD 20 million. Respondents who were in the logistics sector had an even split, since eleven of twenty-five respondents reported their investment decisions above USD 20 million, or 44.4% of respondents.

Table 1. Demographic characteristics of survey participants

		Investment size					
		1 5 million		5 20 million		Over 20 million	
		Count	Row N %	Count	Row N %	Count	Row N %
Country origin	China	3	7.1%	25	59.5%	14	33.3%
	Japan	4	10.5%	25	65.8%	9	23.7%
	Korea	4	10.5%	18	47.4%	16	42.1%
	Singapore	12	14.6%	43	52.4%	27	32.9%
Sector investment	Manufacturing	4	25.0%	9	56.2%	3	18.8%

	High-tech	2	4.7%	20	46.5%	21	48.8%
	Logistics	1	5.6%	9	50.0%	8	44.4%
	Manufacturing	9	8.9%	60	59.4%	32	31.7%
	Other	7	31.8%	13	59.1%	2	9.1%
Entry year	2015	5	11.4%	24	54.5%	15	34.1%
	2016	8	12.3%	32	49.2%	25	38.5%
	2017	1	5.9%	12	70.6%	4	23.5%
	2018	4	13.3%	17	56.7%	9	30.0%
	Before 2015	5	11.4%	26	59.1%	13	29.5%

Most investors had their year of entry into Dong Nai during the window from 2015 to 2018, during the phase of rapidly developing new industrial zones in Dong Nai, and also while Dong Nai was trying to amend the regulations around investments. For example, it is notable that in 2016, when 38.5% of the investors had investments worth more than USD 20 million, Dong Nai entered. Additionally, investors who entered Dong Nai prior to 2015 continued to engage with Dong Nai, indicating 29.5% of those investors still had investments above USD 20 million, presumably meaning they either reinvested or had a longer, more operating presence. Overall, the profile of the respondents reflects a diverse and representative snapshot of the FDI ecosystem in Dong Nai from across multiple countries, sectors, levels of investment, and time of entry. An empirical model hoping to provide insight is good to have empirical evidence spread across a range of dimensions.

3.2. Reliability analysis

In order to evaluate the measurement scales' internal consistency in the questionnaire, reliability analysis was performed with Cronbach's Alpha coefficients. Each of the constructs was measured with four items (observed variables), and the outcomes are reported in Table 2. All seven scales showed, at acceptable to high levels of internal consistency, with reported Cronbach's Alphas from 0.717 to 0.794, which is above the conventional threshold of 0.70 for research in the social sciences (Nunnally & Bernstein, 1994; Tavakol & Dennick, 2011). The Institutional Capacity had the highest reliability coefficient (α = 0.794), demonstrating a high level of consistency in the items. The Transparency and Policy Stability scale had the lowest alpha (α = 0.717) but met minimum reliability standards.

Table 2. Summary of Reliability

Scales	Number of variables observed	Reliability coefficients (Cronbach's Alpha)	The correlation coefficient of the smallest total variable
Administrative Procedure Efficiency (ADM)	4	742	484
Transparency and Policy Stability (TRA)	4	717	484
Infrastructure Quality (INF)	4	747	589
Investment Incentives (INC)	4	769	515
Institutional Capacity (INS)	4	794	582
Digital Public Services (DIG)	4	760	534
FDI Attraction Effectiveness (FDI)	4	762	525

To complement the Cronbach's Alpha scores, the item-total correlation values were also analyzed to determine the contribution of each item to its respective scale. The lowest corrected item-total correlation across the scales was 0.484, which is above a recommended minimum of 0.30. These results are adequate in suggesting that all items had a positive and sufficient correlation with their respective total scales. Taken together, these results indicate that the measurement instrument is internally reliable and that all scales have reliably captured the intended underlying construct.

3.3. Factor analysis

To assess the construct validity of the measurement scales used in the questionnaire, an exploratory factor analysis (EFA) was carried out using Principal Component Analysis with Varimax rotation. Before proceeding with EFA, it was necessary to check the data prior to extracting factors. The KMO Measure of Sampling Adequacy was 0.841, indicating a good amount of shared variance among the observed aspects. In addition, Bartlett's Test of Sphericity was significant ($\chi^2 = 1761.943$; df = 378; $p < 0.001$), providing confirmation that the correlation matrix was not an Identity matrix and was appropriate for factor analysis.

Table 3. Result of factor analysis

Rotated Component Matrix[a]							
	Component						
	1	2	3	4	5	6	7
INS2	.751						
INS4	.744						
INS3	.740						
INS1	.705						
INF1		.770					
INF3		.765					
INF4		.744					
INF2		.678					
INC1			.775				
INC4			.765				
INC2			.739				
INC3			.676				
FDI1				.772			
FDI2				.735			
FDI4				.719			
FDI3				.682			
DIG3					.756		
DIG2					.746		
DIG4					.742		
DIG1					.673		
ADM4						.743	
ADM1						.735	
ADM3						.730	
ADM2						.656	
TRA3							.743
TRA1							.718
TRA2							.660
TRA4							.644

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 7 iterations.
b. Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO)= 0.841.
c. Bartlett's Test of Sphericity (Chi-Square =1761.943; df=378; sig.=0.000)
d. Extraction Sums of Squared Loadings = 60.492; Initial Eigenvalues= 1.456

The factor extraction revealed seven components with eigenvalues greater than one, which accounted for a total of 60.492% of the variance. The data is congruent with the conceptual framework of the study, which assumes there are seven dimensions of state effectiveness in attracting FDI: institutional capacity, infrastructure quality, investment incentives, FDI attracting capabilities, digital public services, administrative procedures, and transparency and stability in policy. The rotated component matrix indicated that each group of items loaded strongly on its respective latent construct with factor loadings greater than 0.65 and minimal cross-loadings.

More specifically, the four items on institutional capacity (INS1-INS4) loaded onto the first component, while the four items on infrastructure (INF1-INF4) loaded onto the second component. Likewise, the four investment incentives (INC1-INC4), as well as the four items on FDI attraction effectiveness (FDI1-FDI4), and the four items on digital public service (DIG1-DIG4) loaded on third, fourth, and fifth components, respectively. The four items on administrative procedures efficiency (ADM1-ADM4), as well as the four items on the transparency and stability of policies (TRA1-TRA4), loaded on the sixth and seventh components. The consistent loadings identified above confirm the convergent and discriminant validities of the measurement instrument, and therefore confirm it is appropriate to employ in future statistical analysis (regression modelling, etc.).

3.4. Correlation analysis

To investigate the linear relationships amongst the key constructs of the study, a Pearson correlation analysis was performed. The analysis aimed to evaluate strength and significance of the association between the dependent variable - FDI Attraction Effectiveness (FDI) - and six independent variables; Administrative Procedure Efficiency (ADM), Transparency and Policy Stability (TRA), Infrastructure Quality (INF), Investment Incentives (INC), Institutional Capacity (INS), and Digital Public Services (DIG).

The results, summarized in Table 4, demonstrate that the independent variables were positively and significantly correlated with the dependent variable at the 0.01 level (two-tailed) and have a strong correlation. The strongest correlation was between Institutional Capacity (INS) and effectiveness to attract FDI ($r = 0.585$, $p < 0.01$), followed by correlation with Infrastructure Quality ($r = 0.575$), Transparency/Policy Stability ($r = 0.557$), and Efficiency of Administrative Procedures ($r = 0.529$). These results illustrate the importance of the strengths of institutions, the responsiveness of their infrastructure, and regulatory stability in an ambiguous investment climate.

Investment Incentives ($r = 0.497$) and Digital Public Services ($r = 0.458$) also had positive relationships with FDI attraction, but to a lesser extent. These findings may show that financial and technological facilitation tools can have an influence by themselves, but it is more likely that their impact will be more significant if they are included in a broader governance reform process.

Table 4. Correlation analysis results

Correlations

		FDI	ADM	TRA	INF	INC	INS	DIG
FDI	Pearson Correlation	1	.529**	.557**	.575**	.497**	.585**	.458**
	Sig. (2-tailed)		.000	.000	.000	.000	.000	.000
	N	200	200	200	200	200	200	200
ADM	Pearson Correlation	.529**	1	.265**	.320**	.231**	.274**	.288**
	Sig. (2-tailed)	.000		.000	.000	.001	.000	.000
	N	200	200	200	200	200	200	200
TRA	Pearson Correlation	.557**	.265**	1	.352**	.272**	.354**	.246**
	Sig. (2-tailed)	.000	.000		.000	.000	.000	.000
	N	200	200	200	200	200	200	200
INF	Pearson Correlation	.575**	.320**	.352**	1	.299**	.378**	.294**
	Sig. (2-tailed)	.000	.000	.000		.000	.000	.000
	N	200	200	200	200	200	200	200
INC	Pearson Correlation	.497**	.231**	.272**	.299**	1	.244**	.142*
	Sig. (2-tailed)	.000	.001	.000	.000		.000	.045
	N	200	200	200	200	200	200	200
INS	Pearson Correlation	.585**	.274**	.354**	.378**	.244**	1	.371**
	Sig. (2-tailed)	.000	.000	.000	.000	.000		.000

	N	200	200	200	200	200	200	200
DIG	Pearson Correlation	.458**	.288**	.246**	.294**	.142*	.371**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.045	.000	
	N	200	200	200	200	200	200	200
**. Correlation is significant at the 0.01 level (2-tailed).								
*. Correlation is significant at the 0.05 level (2-tailed).								

Additionally, the intercorrelations of the independent variables were moderate, with most coefficients being in the range of 0.23 to 0.38, indicating some shared variance but no signs of multicollinearity. For instance, Infrastructure Quality was moderately correlated with Institutional Capacity ($r = 0.378$) and Transparency and Policy Stability ($r = 0.352$), and with Digital Public Services flowing from Institutional ($r = 0.371$) and Administrative Procedure Efficiency ($r = 0.288$). These interrelations indicate the dimensionality of an interconnectedness of the dimensions of state effectiveness that all contribute to FDI performance, but not to an overwhelming degree. In summary, the correlation analysis provided reassurance that systemic improvements across different aspects of governance—particularly institutional capacity and infrastructure—are likely to result in more effective attraction and retention of foreign direct investment in Dong Nai Province.

3.5. Multivariate linear regression analysis

To evaluate the overall validity and explanatory power of the research model, we performed a multivariate linear regression analysis, where FDI Attraction Effectiveness was treated as the dependent variable and six governance-related factors - Administrative Procedure Efficiency, Transparency and Policy Stability, Quality of Infrastructure, Investment Incentives, Capacity of Institutions, and Digital Public Services - were treated as independent variables. As presented in Table 5, the model performed well with a high level of explanatory power (coefficient of determination [R^2] = 0.704; adjusted R^2 = 0.695). These statistics indicate that approximately 70.4% of the variability in FDI attraction effectiveness can be explained by the combined effects of the six independent variables. The Durbin–Watson statistic of 2.116 indicates no autocorrelation in the residuals, which supports the assumption of independence for the observations.

Table 5. Model Summary

Model Summary b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.839a	.704	.695	.2943435	2.116
a. Predictors: (Constant), DIG, INC, TRA, ADM, INF, INS					
b. Dependent Variable: FDI					

Table 6. Anova analysis results

ANOVAa						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	39.790	6	6.632	76.544	.000b
	Residual	16.721	193	.087		
	Total	56.511	199			
a. Dependent Variable: FDI						
b. Predictors: (Constant), DIG, INC, TRA, ADM, INF, INS						

Table 7. Results of multiple linear regression analysis

Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.345	.129		2.666	.008		
	ADM	.166	.030	.236	5.475	.000	.822	1.216
	TRA	.166	.031	.234	5.284	.000	.785	1.274
	INF	.134	.029	.210	4.615	.000	.738	1.356
	INC	.155	.028	.234	5.538	.000	.858	1.165
	INS	.161	.030	.247	5.409	.000	.733	1.364
	DIG	.105	.031	.146	3.345	.001	.806	1.241

a. Dependent Variable: FDI

The ANOVA test statistics reflected in Table 6 demonstrated statistical significance of the regression model. The F-statistic for the regression model was 76.544, with a p-value less than 0.001; this implies that the overall regression equation is statistically significant and the predictors are jointly explaining variation in the dependent variable. The diagnostic statistics also supported model specification. All Variance Inflation Factor (VIF) values were very low and all well-below the arbitrary 'rule of thumb' of 5, and tolerance values were all sufficiently above 0.70, indicating no concerns of multicollinearity and that each independent variable was explaining a unique contribution. In totality, the regression model obeyed all critical statistical assumptions and provided excellent validity results, making IF a good support for future discussions and analysis in the next section.

4. RESULTS AND DISCUSSION

4.1. Results

This section provides the results of the multiple linear regression analysis performed to investigate the six dimensions of state effectiveness that affect FDI attraction in Dong Nai Province. The independent variables included Administrative Procedure Efficiency, Transparency and Stability in Policies, Infrastructure Quality, Investment Incentives, Institutional Capacity, and Digital Public Services. The dependent variable was the effectiveness of FDI attraction.

The regression analysis shows that all six independent variables had a positive and statistically significant influence on the effectiveness of attracting FDI at the 0.01 significance level. The most influential independent variable was Institutional Capacity ($\beta = 0.247$, $p < 0.001$), which reinforces the evidence of the critical importance of local institutions that are competent, responsive, and coordinated to enhance the environment for investment (confirming Hypothesis 4 - H4).

Administrative Procedures Efficiency ($\beta = 0.236$, $p < 0.001$) and Transparency and Stability of Policies ($\beta = 0.234$, $p < 0.001$) also illustrated similar strong and statistically comparable standardized effects. These results support Hypothesis 1 (H1), showing that efficient administrative processes, clarity in regulation, and consistency in policy are highly relevant to the potential benefits investors can expect and how this reduces investor transaction costs.

Investment Incentives ($\beta = 0.234$, $p < 0.001$) also have a significant positive impact on attracting FDI, which supports hypothesis 3 (H3). This implies they could be a crucial piece of the puzzle in influencing investor decisions as incentives such as tax exemptions, or land-use rights are based on good design and transparency.

Infrastructure Quality ($\beta = 0.210$, $p < 0.001$) also brings significant value to the model and supports Hypothesis 2 (H2). Reliable transportation, utility services, and access to industrial parks, for example, continue to be relevant factors in investment site selection processes and in maintaining operational efficiency levels. Although Digital Public Services ($\beta = 0.146$, $p = 0.001$) has the lowest coefficient of the predictors, it is still a significant predictor and confirms Hypothesis 5 (H5). This demonstrates how the importance of e-governance tools and digital administrative platforms is linked to facilitating, streamlining, and enhancing transparency in Foreign Direct Investment.

Taken together, the findings confirm Hypothesis 6 (H6): the success of FDI attraction is affected by a multi-dimensional set of governance quality. The model had adequate explanatory power with an R^2 value of 0.704 and an adjusted R^2 of 0.695, indicating that more than 70% of the variance in FDI attraction can be explained by the six governance variables included in the model. Variance Inflation Factors (VIFs) show that the model was stable, as all VIFs were below 1.4.

In conclusion, we argue that the result indicates that the FDI performance of Dong Nai does not depend upon incremental adjustments to administration or policy, but by a joint, all-encompassing approach to governance. The fact that the province took steps to jointly improve institutional effectiveness, administrative efficiency, transparency regarding policy, infrastructure readiness, clarity of incentives, and digital transformation was critical to keeping the province attractive to foreign investors and continuing to improve its attractiveness. Our findings support a conceptual framework for policy innovation at the subnational level and offer meaningful implications.

4.2. Discussion

This study's findings suggest that state effectiveness is a strong factor in determining FDI attraction at the provincial level in Vietnam. Dong Nai Province, which has long been one of Vietnam's main industrial and investment hubs, demonstrates how multidimensional governance variables allow investment performance to be enhanced.

To begin with, the dominance of institutional capacity as the primary determinant of FDI performance validates previous research accentuating that capable and responsive governance is vital to investing confidence (Rodrik, 2008; Acemoglu & Robinson, 2012). With respect to Dong Nai, this indicates that in addition to formal policy frameworks (strategies, policies, plans, etc.), performance (implementation), people (appropriate staff capability, competence, experience, etc.), and networks (cooperation and collaboration among relevant authorities) are key drivers of investor satisfaction and retained investments. The findings confirm the importance of investing in human resource capacities and public sector reform at the local level in order to sustain inflows of FDI over the longer term..

The critical effects of efficiency of administration processes and transparency of policy are consistent with past research showing that bureaucratic red tape and regulatory uncertainty impede investment (Djankov et al., 2002; Liao et al., 2021). Notably, the similar standardized coefficients indicate a need for both speed of process and consistency of regulatory environment. For provinces like Dong Nai, that means process simplification must match timely policy communication or predictability to optimize realizable investment.

The positive and significant influences of investment incentives and quality of infrastructure are also compatible with classical FDI theories (Dunning et al., 2008; Moran et al., 2005). The results demonstrate that material advantages—tax holidays, land use rights, and fast logistics systems—are still significant when there is competition across regional boundaries. However, the evidence that these factors were subordinate to institutional and procedural factors also suggests that incentives cannot work alone without strong administrative and governance structures in place.

The involvement of digital public services, while not significant relative to the other aspects, nevertheless matters. This echoes current conversations on digital governance and e-administration being promoters of transparency, user-friendliness, and cost-saving when investing (Le, 2025; Halupka, 2014). As for Dong Nai, it demonstrates the strategic importance of continued digital transformation efforts as international investors increasingly requested interactions with administrations to be online, responsive, and in real time.

The results of this study demonstrate the mutually reinforcing quality of governance dimensions in attracting FDI overall. They indicate that effective FDI promotion cannot be attributed solely to a single reform, or even to a distinct policy, but is instead a function of the interaction between institutional, procedural, infrastructural, and technological capacities in a synergistic way. For provincial policy decision-makers, this necessitates an integrated approach to governance reform that couples regulatory transparency with administrative capacity, institutional leadership with infrastructure enabling cooperation, and digital tools that are embedded with public good decision-making.

Such insights not only verify the theoretical model developed for this study but also provide an applied learning resource for subnational units in Vietnam that want to improve their investment climate. With the competition for foreign capital heating up throughout ASEAN and internationally, provinces that focus on governance innovation and institutional development will have a comparative advantage going forward in the next stage of FDI-led development.

5. CONCLUSION

This study analyzed the connection between effectiveness in state management and attraction to foreign direct investment (FDI) in Dong Nai Province, Vietnam, through a quantitative approach by assessing six dimensions of governance: administrative procedure efficiency, transparency and policy stability, the quality of infrastructure, investment incentives, institutional capacity, and digital public services. Utilizing the main survey data collected from two hundred foreign investors, and a technique of multiple linear regressions, the study verified statistically significant and positive relationships of all six variables with the effectiveness of FDI promotion.

Of these, institutional capacity was the strongest predictor, capturing the need for capable and responsive public institutions in facilitating and retaining foreign investment. Administrative capacity and policy clarity were also significant, capturing the importance of procedural clarity and predictability of regulations. Although infrastructure and investment incentives still served an important supportive role, their reciprocal influence seemed to be based on the quality of governance. Although the provision of digital public services was not an influential predictor of foreign investment compared to the others, it represented a trend towards digitalization in public administration and is becoming a central aspect of enabling local governments to facilitate and retain investment.

These findings reinforce the assertion that successful FDI attraction is not simply about economic incentives or infrastructure endowments, but is vitalized by the quality of local governance. This is important for the design of an effective subnational investment policy in Vietnam and similar developing contexts, especially in countries where institutional reform and administrative modernization will continue to be important for remaining competitive in an increasingly mobile global capital environment.

In the future there are options for researchers to expand the scope geographically, introduce time series analysis, or incorporate qualitative information to disentangle causal variables from governance and investment issues. Still, this research has the potential to achieve empirical contributions to the literature on FDI promotion in that it provides an actionable and policy-relevant discussion of state effectiveness at the subnational level.

REFERENCES

1) Acemoglu, D., & Robinson, J. A. (2012). Why nations fail: The origins of power, prosperity, and poverty. Crown Business.
2) Adibi, M., & Lee, K. (2022). Linking innovation systems, international integration, and investment climate to firm productivity in developing countries. Seoul Journal of Economics, 35(4), 317-358 https://doi.org/10.22904/sje.2022.35.4.001
3) Asian Development Bank. (2022). Asian economic integration report 2022: Advancing digital services trade in Asia and the Pacific. https://doi.org/10.22617/TCS220337
4) Asiedu, E. (2006). Foreign direct investment in Africa: The role of natural resources, market size, government policy, institutions and political instability. The World Economy, 29(1), 63-77. https://doi.org/10.1111/j.1467-9701.2006.00758.x
5) Azémar, C., & Giroud, A. (2023). World Investment Report 2022: International tax reforms and sustainable investment. Journal of International Business Policy, 6(2), 235-238. https://doi.org/10.1057/s42214-023-00155-2
6) Busse, M., & Hefeker, C. (2007). Political risk, institutions and foreign direct investment. European Journal of Political Economy, 23(2), 397-415. https://doi.org/10.1016/j.ejpoleco.2006.02.003
7) Calderón, C., & Servén, L. (2011). Infrastructure in Latin America (World Bank Policy Research Working Paper No. 5317). World Bank. https://doi.org/10.1596/1813-9450-5317
8) Coxhead, I., Vuong, N. D. T., & Nguyen, P. (2023). Getting to Grade 10 in Vietnam: Does an employment boom discourage schooling? Education Economics, 31(3), 353-375. https://doi.org/10.1080/09645292.2022.2038113
9) Djankov, S., La Porta, R., Lopez-de-Silanes, F., & Shleifer, A. (2002). The regulation of entry. The Quarterly Journal of Economics, 117(1), 1-37. https://doi.org/10.1162/003355302753399436
10) Do, M. H., & Park, S. C. (2022). Factors affecting foreign direct investment and economic performance in developing economies: Evidence from Vietnam. International Journal of Public Administration, 45(1), 64-80. https://doi.org/10.1080/01900692.2020.1812399
11) Dunning, J. H. (1993). Multinational enterprises and the global economy. Addison-Wesley.
12) Globerman, S., & Shapiro, D. (2003). Governance infrastructure and US foreign direct investment. Journal of International Business Studies, 34(1), 19-39. https://doi.org/10.1057/palgrave.jibs.8400001
13) Harding, T., & Javorcik, B. S. (2012). Foreign direct investment and export upgrading. The Review of Economics and Statistics, 94(4), 964-980. https://doi.org/10.1162/REST_a_00226
14) Ikebe, R. (2023). Foreign direct investment and the industrialisation of Viet Nam. Viet Nam, 2045, 123-151.
15) James, S. (2009). Tax and non-tax incentives and investments: Evidence and policy implications (World Bank Working Paper No. 6862). World Bank. https://doi.org/10.1596/1813-9450-6862
16) Le, T. A. T. (2025). Digital transformation and economic growth of the ASEAN-6 countries. Baltic Journal of Economic Studies, 11(1), 211-220. https://doi.org/10.30525/2256-0742/2025-11-1-211-220
17) Le, T. N. (2025). Solutions for enhancing and accelerating the development of high-quality human resources in industrial zones in Dong Nai Province in the context of international integration. Tạp chí Khoa học Trường Đại học Phan Thiết, 3(2), 87-98.

18) Moran, T. H., Graham, E. M., & Blomström, M. (Eds.). (2005). Does foreign direct investment promote development? Peterson Institute for International Economics.
19) Nguyen, P. H., Nguyen, T. L., Le, H. Q., Pham, T. Q., Nguyen, H. A., & Pham, C. V. (2023). How does the competitiveness index promote foreign direct investment at the provincial level in Vietnam? An integrated grey Delphi-DEA model approach. Mathematics, 11(6), 1500. https://doi.org/10.3390/math11061500
20) Nhuong, B. H., Hang, L. T. T., Thuy, D. T. T., Quang, P. T., & Anh, K. T. (2024). Investigating the nexus between foreign direct investment and sustainable energy transition: The case of Vietnam. Journal of Environmental Assessment Policy and Management, 26(1), 2350023. https://doi.org/10.1142/S1464333223500233
21) Nunnally, J. C., & Bernstein, I. H. (1994). Psychometric theory (3rd ed.). McGraw-Hill.
22) Rodrik, D. (2008). One economics, many recipes: Globalization, institutions, and economic growth. Princeton University Press.
23) Tavakol, M., & Dennick, R. (2011). Making sense of Cronbach's alpha. International Journal of Medical Education, 2, 53-55. https://doi.org/10.5116/ijme.4dfb.8dfd
24) Van Can, L., & Dang, T. N. (2024). Challenges in searching for Vietnam's growth drivers through 2030. Asian Economic Policy Review, 19(2), 252-267. https://doi.org/10.1111/aepr.12442
25) Vietnam Chamber of Commerce and Industry & United States Agency for International Development. (2023). Vietnam provincial competitiveness index 2022 report. https://pcivietnam.vn
26) World Bank. (2020). Doing business 2020: Comparing business regulation in 190 economies. World Bank Publications. https://doi.org/10.1596/978-1-4648-1440-2
27) Zee, H. H., Stotsky, J. G., & Ley, E. (2002). Tax incentives for business investment: A primer for policy makers in developing countries. World Development, 30(9), 1497-1516. https://doi.org/10.1016/S0305-750X(02)00050-5