Archives of Business Review – Vol. 8, No.12
Publication Date: December 25, 2020
DOI: 10.14738/abr.812.9513.
Nguyen, N. T. (2020). Corruption and the Development of Small- and Medium-Sized Enterprises (SMEs) in Vietnam. *Archives of Business Research, 8(12). 162-174.*

Corruption and the Development of Small- and Medium-Sized Enterprises (SMEs) in Vietnam

Nguyen Thanh Nguyen,
Doctor, Lecturer of Graduate School,
Ho Chi Minh City Open University, Vietnam

ABSTRACT

This document studies the nature of corruption in Vietnam and its impact on the development of SMEs. The author surveyed the experience of SMEs' leaders on corruption and their perception about the impact of such dishonest behavior on the development of their firms. One thousand two hundred questionnaires were distributed by mail resulting in 612 usable responses. Traffic police, taxation, and customs are considered as most corrupt. Besides, 81.7% of enterprises say there is no effect on corruption to their business, 10.5% conclude it is positive, but only 7.8% see corruption as a constraint on their firm's performance. The results provide that there is no relationship between corruption to enterprises' development and prove local SMEs can adapt to this environment.

Keywords: SMEs, performance, corruption, impact, development, Vietnam

INTRODUCTION

Business operations under weak or incomplete market and legal institutions have attracted significant interest from many leading scholars (see Kreuger [8]; Bhagwati [1]; Shleifer and Vishny [20]; Wei [27]). While it is widely accepted that corruption is generally detrimental to economic growth (Mauro [14]; Mo [17]), economists have identified conditions under markets may continue to operate reasonably well despite the corrupt environment. Some of these conditions include corruption that is long-term oriented (Dixit [4]), disciplined by either a monopolist or competition (Shleifer and Vishny [20]) or predictable (Wei [27]).

Asian economies are often considered to illustrate how corruption and growth can sometimes coexist (Khan and Jomo [9]). Doner and Ramsay [5] argue that competitive clientelism (it is a form of rent-seeking in which government officials turn themselves into 'patrons' of private enterprises) plays an important business role in Thailand. In this condition, Sino-Thai business families feel satisfactory securing their property rights and allowing for profitable investments. From 1960 to 1990, Thailand was one of the fastest-growing economies in the world, and despite the 1997 financial crisis, it has gained its status as an income economy today medium-high. The Indonesian economy under Suharto is another example of the rapid rate of growth, although corruption and cronyism seem pervasive. McMillan [15] argues that growth was not derailed because the level of corruption was controlled by Indonesia's biggest and most powerful stakeholder, the Suharto family.

Vietnam is another Southeast Asian economy with rapid growth despite the weak market and legal institutions. After major economic reforms in the 1980s (known as 'Doi Moi' or 'renovation'), the Vietnamese economy has grown at an annual rate of more than seven percent since the early 1990s. Many international agencies take corruption in this country very seriously. What has been the effect of corruption on Vietnam's economic performance? Maitland [12] has argued that widespread corruption in Vietnam discourages investment from multinational enterprises as they are viewed as easy targets by bribe-demanding officials. Few studies, however, have focused on the impact of weak institutions on local small and medium-sized enterprises. One notable exception is that the work of McMillan and Woodruff [16] uses a series of case studies to illustrate how Vietnamese local firms can prevent and resolve disputes in the absence of having an effective and reliable court system.

In this study, we provide an updated look at the nature of corruption and its impact on the business operations of Vietnamese small and medium-sized enterprises. The author tries to find out whether there are a bad impact and relationship of corruption to the development of enterprises, and kinds of corruption can affect the SMEs' development. The study investigates a broader range of corruption than the McMillan and Woodruff study [16]; the author studies government management activities such as tax, customs, police ... This article first supplies a literature review in section 2 and a brief historical background of corruption in Vietnam in section 3. Section 4 describes the survey that the author used as the main method of data collection and the hypothesis. Section 5 presents the analysis and research results. Section 6 discusses the implications of the findings and conclusion.

CORRUPTION AND ITS EFFECT ON THE DEVELOPMENT OF ECONOMY AND ENTERPRISES: A LITERATURE REVIEW

The economists conclude that corruption hinders economic development and potential investors. In developing countries, national resources and public investments are also the targets of these vices. A high level of corruption results in high economic costs [7]. Some studies show that India will increase national investment by 12% and an annual GDP growth rate of 1.5% if the government reduces the corruption level to one of the Scandinavian countries. Similarly, other countries such as Bangladesh, Pakistan…will significantly improve their GDP if they try to reduce the level of corruption to Singapore level (Transparency International [23]). Matias [13] concluded that corruption erodes economic growth because it damages national resources and increases spending to prevent corruption. David and Jose [3] confirmed corruption causes severe effects on national economic development and administrative activities. These authors also determined it causes high governmental administrative activities costs.

Ledivina [10] asserted that corruption is harmful to society, the organization, and socio-economic development and prevents efficient businessmen, producers, and businesses from participating in the market; it also ruins equal markets and free business environments for enterprises. Corruption increases administrative costs because of government revenue loss and overpayment of materials and services. Lee and Oh [11] concluded the development of a country cannot be based on corruption. It can be profitable for some businesses or groups but will harm the economy. Researchers pointed out that in addition to preventing economic growth, corruption also harms FDI. Wei [27] stated if there is an increase in the level of corruption from Singapore to Mexico, a decrease in FDI will occur when the tax increases by 50%. Foreign investors do not know who and

how much to bribe and they feel that they cannot compete with domestic firms because of these bad corrupt practices.

However, some researchers proved that enterprises and individuals engage in corrupt behavior can get an instant-benefits (Boddewyn [2]), especially in business fields that relate to government. In many Asian countries, enterprises that have capabilities to approach corruption networking have advantages to develop and this is an efficient way of their business (Peng and Zhou [19]; Xin and Pearce [28]). Because of the importance of the corruption understanding, the Foreign Corrupt Practice Act of the USA [24] allows grease money (a kind of corruption payment) for US enterprises operating in other countries (except in the USA). This considers a solution to raise the competition level for American firms when they invest in foreign countries. In fact, many developing countries such as China, Thailand, and Vietnam… have rather high levels of corruption but they also achieve high economic growth with the strong development of enterprises (Lee and Oh [11]).

CORRUPTION IN VIETNAM – A HISTORICAL CONTEXT

In feudal times of Vietnam, dating back to the third century AD, the administrative classes kept a tight grip on power. Farmers and merchants were required to pay taxes to the king as well as extra "tea money" to the regional mandarins. Paying a bribe was considered normal as people viewed it as a prerequisite for living peacefully.

During the French occupation in the 19th and 20th centuries, ordinary citizens continued to pay bribes which were known as "coffee money" or "lubricant money" to officials in exchange for public services. The French were defeated by the Vietnamese revolutionaries in 1954, resulting in the division of Vietnam into the North and South. While the North was under a communist regime, the South adopted a market economy. The proliferation of private enterprises coupled with large inflows of American aid money in South Vietnam resulted in frequent corruption scandals uncovered and widely publicized by the media.

North and South Vietnam were reunified in 1975 following the end of the Vietnam War. During the subsequent decade, the country adopted a central-planned economy. The concentration of political and economic power in the hands of government officials suggests there were plentiful opportunities for demanding bribes and stealing from public coffers. Limited access to information on this period, however, precludes us from making definite assessments about the nature and magnitude of corruption during this period.

Following decades of economic stagnation under the centrally planned economy, Vietnam decided to enact major reforms ("Doi Moi") in the late 1980s. Reorientation toward a market economy together with the opening-up for foreign investment helped spur the Vietnamese economy into a major boom. With growing prosperity came increased opportunities for corruption and rent-seeking among government officials. By the early 2000s, Transparency International's Corruption Perception Index consistently indicated that corruption in Vietnam was more serious than in China and India. More recently, ASEAN neighbors such as the Philippines and Indonesia have both surpassed Vietnam in their efforts to curb corruption (see Table 1).

Table 1. Corruption Perception Index of Some Asian Countries, (score out of 100, the bigger the better)

Country	Year							
	2012	2013	2014	2015	2016	2017	2018	2019
Vietnam	31	31	31	31	33	35	33	37
Indonesia	32	32	34	36	37	37	38	40
Philippines	34	36	38	35	35	34	36	34
India	36	36	38	38	40	40	41	41
Thailand	37	35	38	38	35	37	36	36
China	39	40	36	37	40	41	39	41
S. Korea	56	55	55	54	53	54	57	59
Japan	74	74	76	75	72	73	73	73
Hong Kong	77	75	74	75	77	77	76	76
Singapore	87	86	84	85	84	84	85	85

Source: Transparency International [22]

Table 2. Growth of Enterprises

Enterprises type/ growth	Year			
	2016	2017	2018	2019
Number of new enterprises	110100	126859	131275	138139
Growth	*10%*	*15.2%*	*3.4%*	*5.2%*
Number of acting enterprises having business outcomes	505509	560413	610637	680320
Growth	*10.2%*	*10.8%*	*8.9%*	*11.4%*
Profit before taxes of acting enterprises (billion VND)	711975	877534	895560	900305
Profit rate of acting enterprises	*3.99%*	*4.25%*	*3.79%*	*3.92%*

Source: General statistics office of Vietnam [6]

Along with its updated Anti-Corruption legislation (most recently updated in 2012), the Vietnamese government has set up numerous organizations to fight against corruption such as The Central Steering Committee for Anti-Corruption, The People's Procuracy, and The Government Inspectorate. Both central and local governments have also gradually improved the salary of civil servants in their efforts to reduce incentives to take bribes.

Despite these problems, private enterprises in Vietnam, most of which are SMEs, have exhibited remarkable resilience (see Table 2). While the number of state-owned enterprises has been declining, the number of private enterprises has been growing at a high rate annually during the past several years. The growth of foreign-invested enterprises has been similarly healthy. This research aims to better understand SMEs owners' perception of the current situation of corruption and how such illegal behavior affects the day-to-day operations, overall performances of their businesses, and attraction of foreign investment.

THE DEVELOPMENT OF ENTERPRISES AND CORRUPTION

Except for the year 2020 affected by 'Covid 19', the Vietnamese enterprises have been growing strongly, both in number and quality of performance. The growth of newly established enterprises

is 8% per year, the number of acting enterprises develops 9%, their profit rate is about 4% (see Table 2). According to specialists, this development achievement is based on an improved business environment and the attractiveness of the Vietnamese market. However, many data show that corruption, one of the important business environment indexes improves slowly. Some people think that perhaps corruption has an insignificant impact, or that the investment environment in Vietnam is more attractive. Many opinions disagree about this view.

Table 3. Corruption Perception of Vietnamese People (percentage agree of survey people)

Corruption Perception about	YEAR		
	2013	2016	2019
Traffic Police	-	60%	30%
Police	72%	57%	20%
Tax	-	47%	17%
Central Officer	55%	32%	13%
Local Officer	-	28%	10%

Source: Towards Transparency of VN [21]

IDENTIFICATION OF CORRUPTION

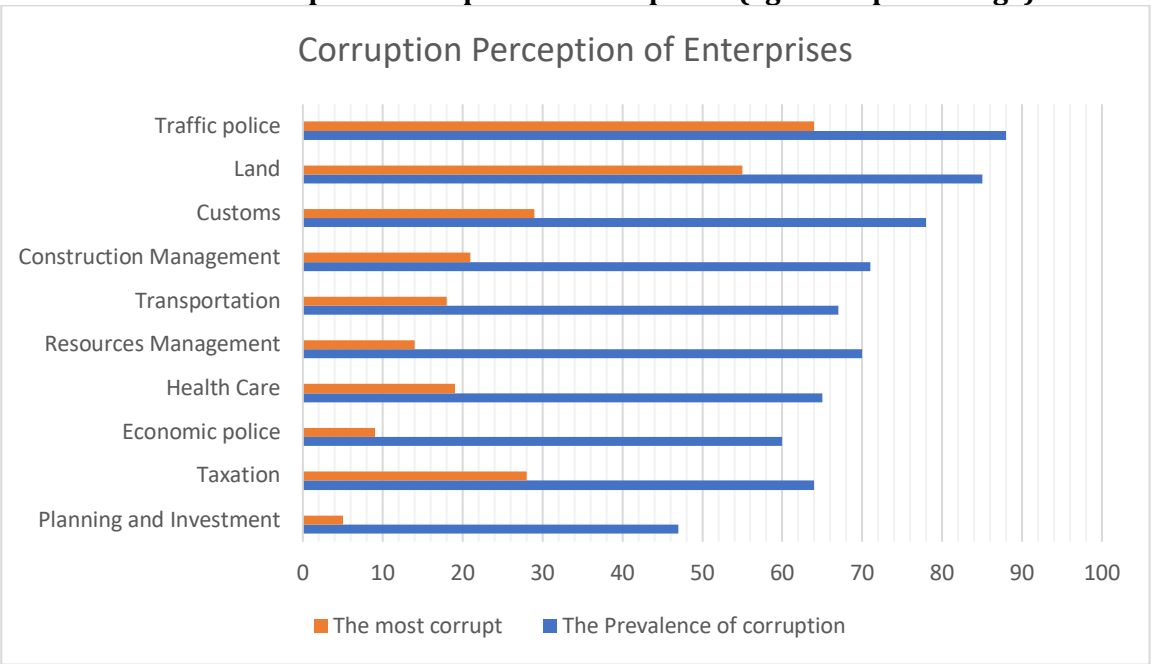
The Transparency International Organization recorded that Vietnam has increased six scores in the corruption perception index (31 to 37 in 7 years, see Table 1), these data show Vietnam has still high corruption level (37/100 scores). According to governmental report, corruption is ranked fourth in 17 national important issues that the Vietnamese government needs to solve (after poverty, food safety, and crime). The Towards Transparency of Vietnam [21], a member of Transparency International conducted interviews with 1058 enterprises from 10 provinces and cities about their corruption perception (2019) and they concluded that Corruption perception of people becomes better (see Table 3). This improvement is compatible with many recent surveys.

Corruption identification of enterprises

In the survey of the World Bank and Government Inspectorate of Vietnam [26], they got opinions of 1058 enterprises from 10 cities and provinces. The result defines that there are five sectors and fields which become popular with corruption and the most impact on the business. Traffic police, land management, customs, taxation, and construction management are considered as most annoying. Especially, in daily activities, traffic police, customs, and taxation are considered the most common corrupt for businesses (see Chart 1). The survey data of Toward Transparency of VN show a similar trend in 2019 (see Table 3). The Vietnam Chamber of Commerce and Industry (VCCI) [25] with the support of the US Agency for International Development (USAID) has conducted annual surveys about the Provincial Competitiveness Index (PCI). They surveyed about 12000 enterprises of 63 provinces and cities.

The result of the work shows the business environment of Vietnam. One of their indexes is informal charges that enterprises need to pay for their activities; it is considered the measured corruption level. In recent years, there are many efforts to fight against this evil and the indexes prove that corruption has been reduced. However, most enterprises answer that there is harassment of officials when resolving administrative procedures and enterprises need to pay informal charges. Besides, they also confirm that when they pay informal charges, their services are delivered as expected and these charges are acceptable (see Table 4).

Chart 1. Corruption Perception of Enterprises (agree on percentage)



Source: World Bank and Vietnam Inspectorate [26]

Table 4. Informal charges index and determination of this pay to firms' activities

Year	Informal charges (score of 10 is the best)	The proportion of enterprises need to pay informal charges (%)	Service was delivered as expected (%) after paying	Prevalence of harassment of officials when dealing with administrative procedures (%)	Firms agreeing on informal charges are acceptable (%)
2019	6.24	53	59	53	83
2018	6.01	55	62	57	81
2017	5.37	58	63	60	79
2016	5.33	64	56	58	78.7
2015	5.13	64.8	61.5	64.3	77
2014	4.95	65	62	65	75

Source: PCIvietnam.vn/en [25]

METHODOLOGIES

The surveys of VCCI and USAID [25] determine that the corruption perception of enterprises is still high, but they seem to feel the impact on their business is acceptable (see Chart 1, Table 4). This research aims to reconfirm the level of common corruptions and their impacts on enterprises' performance, one of the controversial issues in Vietnam.

Hypothesis

Based on direct contacts with the Vietnamese SMEs and the data of Enterprises' Survey (Toward Transparency of Vietnam [21]; VCCI [25]), the author chooses nine fields that are prone to corruption.

- Taxation: This is a section that is easy to trigger corruption; enterprises like to hide the activities which need to pay taxes and the tax employees can apply flexibly tax rates. This

causes corrupt acts with the agreement of two sides and both have benefits. Usually, tax employees cause difficulties for SMEs when they pay taxes for many reasons, and if enterprises like the propitious result, they need to bribe. This misconduct can cause national budget loss but the business benefits.

- Custom: When enterprises need to import or export their products or their materials, there is a barrier of custom. The complicated procedure for import-export goods ranking is the reason that firms need to accept corrupt acts if they want their business to become easier. Besides, many enterprises accept to pay corrupt fees to reduce their import-export taxes.
- Bank loan: Most SMEs are weak in capitalization, in Vietnam 80 percent of enterprises' finance is from bank loans. Especially in finance crises, firms usually bribe to approach loans from state and commercial banks.
- Environment protection: Vietnamese government issued laws and regulations to protect the environment, this causes a burden charge for SMEs and they usually avoid their duties. Many enterprises choose the solution to offer police or environment officials bribes when they control their related activities. These corrupt payments are still cheaper than the construction and operation of environmental treatment systems.
- Transportation: One of the most corrupt sectors in Vietnam is the corruption of traffic police; the "coffee money" for police is the daily thing and firms spend more fees for product or material transportation. Lawfully, the reasons for punishments are law circulation violations, but traffic police can cite many reasons to amerce. This causes high fees for the production and goods distribution of enterprises.
- Establishment procedures: The enterprises' set-up is not easy; if they want quick works, investors will pay "under table" money to a lot of organizations for the smoothness of procedures. This payment is the cost in the business establishment stage and can raise investment fees.
- Business registration: Firms need to register their business fields for government organizations and if they like the quickness and advantage, paying the "lubricant money" will be the usual choice.
- Construction procedures: When a firm has the intention to build facilities such as factories, offices… for their businesses, they need to get the permission of authority and this is the process that takes time and money for final permission. In a recent survey of Vietnam Procuracy, construction procedures are considered as severe corrupt and cause more disturbance for enterprises. The investors pay bribes for this procedure to reduce construction time.
- Land procedure: It is a complicated process when enterprises need land for their facilities' construction or as a pledge to the bank. In Vietnam, SMEs need to pass through permissions of government from district to province and many departments. The enterprises will bribe for these procedures if they want to save time.
- Based on the nine above types of corruption that are considered popular for enterprises' activities, the author suggests a hypothesis:
  These nine acts of corruption are hypothesized that they are the most corrupt, have bad impacts, and have a relationship to the performance of SMEs.

Research Design

The author uses questionnaires to ask the enterprises' leaders about their corruption perception: which corruption sections are most severe in Vietnam; can have an impact on business operations (Likert scale with 1: less impact, 5: most impact); and effect level on their activities (1: negative, 2: no effect, 3: positive,). The research also tests the relationship between the corruption effects level to performance of enterprises). The author collects data of SMEs' performance through evaluation on EBT, ROA, ROE, and general performance of enterprises in past five years; five-point Likert scale is also used with indicator point: 1 very good; 3 medium, and 5 very bad.

Data Collection

The Departments of Planning and Investment of provinces and city (local governmental organizations) sent questionnaires to 1200 SMEs in Ho Chi Minh City, provinces of Dong Nai, Binh Duong, and LongAn which are situated in the industrial area of Southern Vietnam. The reason for this choice is that this region is a crucial economic zone with very active business activities; besides, Vietnamese SMEs account for 95 percent of registered enterprises and SMEs are vulnerable to the effect of the business environment.

The author received the feedbacks of 622 enterprises' leaders (bosses, directors, managers, chief accountants), 10 feedbacks were eliminated because of mistakes (612 accepted). These cooperation enterprises consist of food processing (7.8%), textiles (11.8%), garments (9.2%), construction material (9.8%), construction (14.4%), fabricated metallic products (16.3%), non-metallic products (24.8%), and other manufacturing (5.9%), (see Table 5). This firm's type proportion is rather compatible with the current state of Vietnamese enterprises in the region.

Table 5. Summary of the Sampled Enterprises

Enterprises	Frequency	Percent
Food processing	48	7.8
Textile	72	11.8
Garment	56	9.2
Construction material	60	9.8
Construction	88	14.4
Fabricated-metallic product	100	16.3
Non-metallic product	152	24.8
Other manufacturing	36	5.9
Total	612	100

Measuring Instrument

The author used IBM SPSS 23 to analyze the collected data; he found out the means of corrupt sections (the perception of firms about the most severe corruption kinds, the effect level on activities of enterprises) and means of enterprises' performance. The researcher used EBT, ROA, ROE, and general development of enterprises as dependent variables and the evaluation of corruption effect to their firm's activities (severity level and ability to impact business) as independent variables. Regression and correlation were used to test the relationship between variable kinds.

ANALYSIS OF FINDINGS- RESEARCH RESULTS

From the survey, three kinds of corruption: traffic police, taxation, and customs are severe (mean 3.95-4.22) but traffic police and taxation can cause an impact on business (mean 3.05-3.75); the corruption of the other types have less impact on enterprises (see Table 6). The result is suitable for the conclusion of the Vietnamese Inspectorate (see Chart 1) and reflection of the press. This is true of the fact that enterprises often suffer two types of corruption in their operations. Customs is classified as serious but not all enterprises do import-export activities. The survey result is alike to the conclusion of Towards Transparency of Vietnam (see Table 3).

The direct question about the effect of corruption on enterprises' performance has an interesting result, 81% of enterprises answer that there is no effect of corruption on their business, 10.5% say positive, and 7.8% conclude negative on their activities (see Chart 2). This result coincides with the assessment of severity and impact ability of general corruption (see Table 6). The answer is also suitable for data of PCI Vietnam about informal charges, SMEs determine that there is corruption in Vietnam, but the enterprises accept it (see Table 4).

The mean of firms' determination about severity and impact ability of general corruption to SMEs is weak (2.21 and 1.02, see Table 6). To answer the question of whether there is a relationship between these perceptions and the performances of enterprises, the research needs to prove nine types of corruption and general corruption have a relationship with enterprises' performance. The author used regression and correlation analysis of EBT, ROA, ROE, and general performance as dependent variables and corruption affect perception as independent variables (severity level, ability to impact business). The results demonstrated that there is no relationship between the two kinds of variables. For example, the analysis with the dependent variable as impact ability of general corruption shows that standardized beta and Pearson coefficients (0.08- 0.160) are small, adjusted R^2 (0.00- 0.019), the significant coefficients are bigger than 0.05 (see Table 7). This indicates that there was neither a sizeable nor significant relationship between the ratings of corruption impact ability and severity level with business performance.

Based on the above results, the hypothesis is rejected which means that SMEs also have a relatively high awareness of corruption perception, but corruption does not affect severely the performance of enterprises and there is no relationship between corrupt acts to performance of SMEs. The research results reject the idea that corruption in Vietnam seriously impedes the growth and performance of enterprises.

Table 6. Determination of severity and impact ability of corruption

Kind of corruption	Severity level		Ability to impact business	
	Mean	Standard deviation	Mean	Standard deviation
Traffic police	**4.22**	0.75	**3.75**	0.86
Taxation	**4.15**	0.88	**3.05**	0.77
Customs	**3.95**	0.72	2.77	0.82
Bank loan	2.62	0.78	2.92	0.55
Business regislation	2.55	102	2.57	0.88
Environment protection	2.22	1.11	2.66	0.55
Construction procedure	1.95	0.95	1.15	0.92
Establishment procedure	1.55	0.77	1.13	1.05
Land procedure	1.02	0.79	1.03	1.22
General corruption	2.21	1.05	1.02	1.09

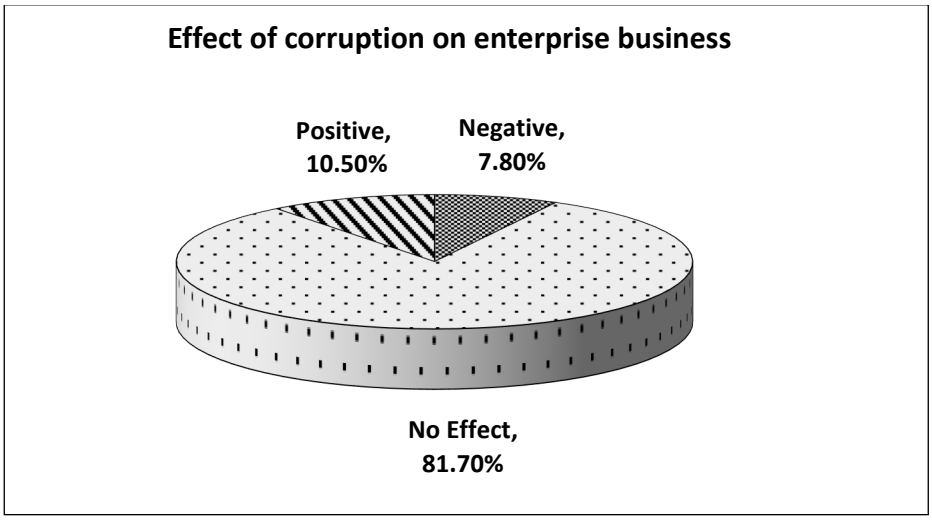


Chart 2. Business Leader Views about Corruption Effect on performance

Table 7. Regression and Correlation Analysis between Corruption Perception (Ability to impact business) and SMEs Performance

Variables	Stand. beta	Sig. 1-tailed	Adj. R^2	Pearson coef.	Sig. 1-tailed
EBT	0.105	0.198	0.004	0.105	0.099
ROA	0.112	0.168	0.006	0.112	0.084
ROE	0.080	0.328	0.000	0.080	0.164
General Performance	0.160	0.048	0.019	0.160	0.054

DISCUSSION AND CONCLUSIONS

The research finds out that the results are in good agreement with Towards Transparency of VN [21], World Bank and Vietnam Inspectorate [26], and VCCI-USAID [25]. During operation, the enterprises need to contact government officials, such as paying taxes or dealing with traffic police, which tends to generate a perception of high corruption. On the other hand, activities that are required less often, such as obtaining a permit to start a business, build a factory, or have new business permission are perceived as less corrupt. Previously, the fields were usually considered as most corrupt: procedures of bank loan, environment permission, land procedure. But in this research, they are identified better. These results can explain that Vietnamese administrative procedures are much improved, anti-corruption law has been put into effect, and Vietnam has performed institutional reform (privatization of public services). Perception about general corruption is ranged at a low level, this is in line with the Transparency International judgment [22].

While most small-medium business owners (81.7%) do not feel that corruption significantly affects their business, the remaining group is about equally split between seeing corrupt officials as an opportunity (10.5%) and a threat (7.8%). Presumably, corruption allows one group of small businesses to obtain special perks at their bribe expense, but the other group may suffer.

The research result proves that although corruption is considered still rather high in Vietnam, it can cause discouragement of few investors when they start-up, but there is no relationship between corruption and the performance of SMEs. This can show the adaptation of enterprises in a corrupt environment and explain the quick growth of Vietnamese enterprises. The study does not support the corruption, but it can agree with the identification of economists that corruption in Vietnam occurs mainly in the public procurement sector, and businesses are less likely to be bothered.

About foreign investment, when most local SMEs report that corruption does not affect their businesses, probably the government may overlook one critical fact that corruption can reduce foreign investment (Maitland [12]). In highly corrupt business environments, foreign multinationals are often treated as outsiders that can be easily exploited. Corruption may act as an entry barrier for foreign competition thus indirectly benefiting local SMEs. With 10% of surveyed enterprises say that they can get benefits from corruption, they are ineligible to influence foreign investment. In recent years, statistics still showed a strong increase in FDI in Vietnam. Besides, many Asian investors have learned to adapt quickly to the Vietnamese business environment (most foreign investments are from Asian countries). Even so, Vietnam could attract more investment from the West if the government wins over corruption.

In this study result, few enterprises get benefits from corruption, but while it may be remunerative for some local businesses in the short term, extensive economic theory and empirical research overwhelmingly concur that corruption harms a country's prosperity in the long run. Economic growth is hurt not only from less foreign investment, but the corruption can cause inadequate provision of important public goods and services (infrastructure, law enforcement, environmental protection) and wasteful allocations of limited resources to keep such illicit activities secretive (Shleifer and Vishny [20]). The government report shows that corruption in Vietnam is mainly in the state-owned enterprises (SOE) and public procurement sectors, very few foreign firms can

participate in public procurement packages. Therefore, any policy that can effectively mitigate corruption in Vietnam is sure to increase the efficiency of public investment and promote growth. In Vietnam, an Anti-Corruption Law [18] was issued in 2005 and amended in 2012 with stronger punishments. Other legislation relating to businesses such as laws governing income taxes, importing/exporting, environment protection, and land usage have also been upgraded. Anti-corruption organizations have been established both at the central and provincial levels. The media is also playing a more active role in uncovering corrupt activities by government officials. Finally, the median salary of government officials has been increased four times. Previous research has shown that increasing salaries for public sector workers may be one effective strategy in curbing corruption.

In conclusion, our research shows that local SMEs have so far adapted quite successfully to the corruption prevalent in Vietnam and that corruption has not had much impact on enterprises' performance and attracting foreign investment. However, while the bribery and deceit of officials may not be as harmful as many Westerners believe, strengthening the economic institutions and laws that are critical to curbing corruption will likely be an important premise for Vietnam to achieve long-term economic development.

References

[1]. Bhagwati, J., "Directly Unproductive Profit-Seeking (DUP) Activities", *Journal of Political Economy*, 1982. vol. 90, pp. 988-1002.

[2]. Boddewyn, J.J., "Political aspects of MNE theory". *Journal of International Business Studies*, 1988. vol. 14, issue 3, pp.341-363.

[3]. David, J.G. and Jose, A., "The effects of corruption on administrative performance: Illustration from developing countries". *Washington, D.C.: World Bank Staff Working Papers*, 1983. No. 580, pp. 28-29.

[4]. Dixit, A., "Lawlessness and Economics: Alternative Modes of Governance", *Princeton University Press,* Boston, USA, 2004.

[5]. Doner, R. F. and Ramsay, A., "Rent Seeking and Economic Development in Thailand", in *Rents, Rent-Seeking and Economic Development: Theory and Evidence in Asia*, M. H. Khan and Jomo K.S. (Eds.), Cambridge University Press, 2000.

[6]. General Statistics Office, "Statistical Yearbook of Vietnam 2019, *Statistical Publishing House*, Hanoi, Vietnam, 2020.

[7]. IFC and World Bank, "Top ten environment constraints for firms". Available at http://www.enterprisesurveys.org/graphing-tool .(Accessed in September 2020).

[8]. Krueger, A. O., "The Political Economy of Rent-Seeking". American Economic Review, 1974. vol. 64, issue 3, pp. 291-303.

[9]. Khan, M. H. and Jomo, K. S., "Rent-Seeking and Economic Development: Theory and Evidence in Asia", Cambridge University Press, UK, 2000.

[10]. Ledivina, V. Carino., "Bureaucratic corruption in Asia: causes, consequences and controls". Quezon City: College of Public Administration, University of The Philippines,1986.

[11]. Lee, S.H. and Oh, K.K. "Corruption in Asia: Pervasiveness and arbitrariness". Asia Pacific Journal of Management, 2007. vol. 24, issue 1, pp. 97-114.

[12]. Maitland, E., "Corruption and the Outsider: Multinational Enterprises in the Transitional Economy of Vietnam", Singapore Economic Review, 2001. vol. 46, issue 1, pp. 63-82.

[13]. Matias Warsta., "Corruption in Thailand". International Management: Asia Swiss Federal Institute of Technology. Zurich, April 2004.

[14]. Mauro, P., "Corruption and Growth", Quarterly Journal of Economics, 1995. vol. 110, issue 3, pp.681-712.

[15]. McMillan, J., "Reinventing the Bazaar: A Natural History of Markets", W. W. Norton & Company, 2003.

[16]. McMillan, J. and Woodruff, C., "Dispute Prevention without Courts in Vietnam", Journal of Law, Economics and Organization, 1999. vol.15, issue 3, pp. 637-658.

[17]. Mo, P. H., "Corruption and Economic Growth", Journal of Comparative Economics, 2001. vol. 29, issue 1, pp. 66-79.

[18]. National Assembly of Vietnam, "Anti-Corruption Law of Vietnam" (No. 55/2005/QH11) passed by the National Assembly on 29/11/2005.

[19]. Peng, M. W. and Zhou, J. Q. "How network strategies and institutional transitions evolve in Asia". Asia Pacific Journal of Management, 2005. vol. 22, issue 4, pp. 321-326.

[20]. Shleifer, A. and Vishny, R. W., "Corruption", Quarterly Journal of Economics, 1993. vol. 108, issue 3, pp. 599-617.

[21]. Towards Transparency - For a Vietnam free of Corruption, "Report and Data of Corruption". Available at: http://towardstransparency.vn/. (Accessed in October 2020).

[22]. Transparency International, (2010-2019), "Corruption Perception Index". Available at

http://www.transparency.org/research/cpi/overview. (Accessed in October 2020).

[23]. Transparency International, U.N. Public Administration. "Corruption in South Asia, insights & benchmarks from citizen feedback surveys in five countries". Available at http://www.gateway.transparency.org/tools/detail/528 . (Accessed in December 2020).

[24]. USA (FCPA), Foreign Corrupt Practice Act (1977). Available at: http://www.enotes.com/foreign-corrupt-practices-act-fcpa-reference/foreign-corrupt-practices-act-1977. (Accessed in May 2020).

[25]. VCCI- USAID, "The Provincial Competitiveness Index". Available at http://pcivietnam.vn/en . (Accessed in September 2020).

[26]. World Bank and The Government Inspectorate of Vietnam, "Survey Findings- World Bank Document". Available at http://documents1.worldbank.org/ . (Accessed in September 2020).

[27]. Wei, S. J., "How taxing is corruption in international investors". Review of Economics and Statistics, 2000, vol. 82, issue 1, pp. 1-11.

[28]. Xin, K. and Pearce, J., "Guanxi: Connection as substitutes for formal institutional support". Academy of Management Journal, 1996. vol. 39, issue 6, pp. 1641-1658.