International Journal of Humanities and Social Science Research
www.socialsciencejournal.in
ISSN: 2455-2070
Received: 10-12-2025, Accepted: 20-01-2026, Published: 07-02-2026
Volume 12, Issue 1, 2026, Page No. 156-162

Private sector dynamics and investment structure in Vietnam: A quantitative analysis (2016-2024)

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Abstract
This paper provides a quantitative analysis of the key determinants of Vietnam's economic growth during the period 2016-2024, with particular emphasis on the role of the private sector and the impact of investment structure. Employing a multiple linear regression model based on secondary data from the General Statistics Office of Vietnam (GSO), the results demonstrate that growth in real private investment and labor productivity exerts a strong, positive, and statistically significant effect on GDP growth. By contrast, the share of state investment in total social investment exhibits a negative correlation with economic growth over the sample period.
The findings reinforce empirical evidence on the pivotal role of the private sector as a primary growth engine in Vietnam's socialist-oriented market economy. At the same time, they highlight persistent challenges related to public investment efficiency and labor structural transformation. Based on these results, the study proposes a coherent policy framework that emphasizes continued improvement of the private investment environment, enhanced efficiency in the allocation and utilization of public capital, and strengthened policies aimed at raising labor productivity through technological innovation and high-quality human resource development.

Keywords: Private sector, public investment, labor productivity, GDP growth, linear regression, Vietnam economy

Introduction

Since the initiation of the Đổi Mới reforms in 1986, Vietnam has undergone a profound and largely successful socio-economic transformation, shifting from a centrally planned system to a socialist-oriented market economy. This transition has generated remarkable economic achievements, with average annual GDP growth of approximately 6.5-7 percent over several decades, reducing the poverty rate from over 50 percent to below 5 percent and enabling Vietnam to attain lower-middle-income status by 2010. By 2024 [3], Vietnam's nominal GDP reached approximately USD 476 billion and is estimated to rise to around USD 514 billion in 2025, positioning the country among the fastest-growing and most stable economies in Southeast Asia and Asia more broadly (GSO, 2025; IMF, 2025).

The period 2016-2024 represents one of the most challenging yet opportunity-rich phases in Vietnam's economic development. This era has been marked by deeper integration into global value chains through new-generation free trade agreements such as the CPTPP (2018), EVFTA (2020), and RCEP (2022). Simultaneously, the economy has faced significant external shocks, including the US-China trade tensions that accelerated supply chain relocation to Vietnam, and the COVID-19 pandemic, which sharply reduced GDP growth to 2.87 percent in 2020 and 2.55 percent in 2021. This was followed by a robust recovery driven by timely macroeconomic support policies, with post-pandemic growth averaging around 6-7 percent. By 2025, GDP growth is estimated at 8.02 percent, exceeding the pre-pandemic average, with major contributions from manufacturing (9.97 percent) and services (8.62 percent) (GSO/NSO, 2025).

Within this context, the private sector-encompassing domestic non-state enterprises and foreign direct investment (FDI)-has emerged as the principal engine of growth. The private sector's contribution to GDP increased from approximately 42-43 percent in 2016 to over 50 percent in 2024-2025, while the state sector's dominance in investment and employment has gradually diminished. Disbursed FDI has remained robust, reaching an estimated USD 18.8 billion in the first nine months of 2025 [6] (up 8.5 percent year-on-year), supporting exports, technology transfer, and the creation of higher-quality jobs. Notably, Resolution No. 68-NQ/TW of the Politburo (4 May 2025) [6] officially designates the private sector as "the most important driving force" of the economy, emphasizing its leading role in innovation, digital transformation, sustainable development, and international integration.

Despite these achievements, Vietnam continues to face significant structural challenges. Labor productivity, although improving, remains relatively low compared to regional peers, with average growth of 5-6 percent per year and reaching 6.83 percent in 2025 (constant prices). Productivity gaps across sectors remain substantial-up to 30-40 times between high-tech and modern service sectors and traditional agriculture or the informal economy. The labor market remains vulnerable, as evidenced by the loss of nearly five million jobs in 2021 during the pandemic, and by the slow reallocation of labor from low-productivity to high-productivity sectors. Public investment, while essential for infrastructure development, has often been criticized for inefficiency, delays, waste, and cost overruns, raising concerns about potential crowding-out effects on private investment. Although the share of state investment in total social investment declined from 31.7 percent in 2015 to around 27-28 percent in 2024, it remains substantial and has yet to generate strong spillover effects for the private sector.

Previous studies have largely relied on data prior to 2020 and have focused either on the role of the private sector in

growth or on improving public investment efficiency. Few studies have simultaneously examined the relative impacts of private investment, labor productivity, and state investment in the volatile post-pandemic context using updated data through 2024-2025 [6]. This gap is particularly salient as Vietnam pursues its strategic objectives of becoming an upper-middle-income, industrialized country by 2030 and a high-income developed economy by 2045.

Accordingly, this study aims to: (1) quantitatively assess the effects of private investment growth, labor productivity growth, and the share of state investment on real GDP growth during 2016-2024 using official GSO data updated to 2025; (2) test the hypothesis of a structural shift in growth drivers from the state sector to the private sector; (3) interpret the findings in light of Resolution 68-NQ/TW and international policy recommendations; and (4) propose concrete and feasible policy implications for achieving high-quality and sustainable growth.

Theoretical Framework and Literature Review

1. Theoretical Framework

Modern growth theory has evolved from neoclassical models (Solow, 1956) toward endogenous growth theory, which emphasizes that long-term growth depends not only on capital accumulation and labor inputs but also on endogenous factors such as technological innovation, knowledge accumulation, human capital, and investment in research and development (R&D). Romer (1986) argues that knowledge is a non-rival and partially non-excludable good, generating positive spillover effects across the economy. Aghion and Howitt (1992) [1] further develop the concept of "creative destruction," whereby private firms compete through innovation, driving sustained economic growth. Within this framework, the private sector-motivated by profit incentives and market competition-plays a central role in innovation, efficient resource allocation, and productivity enhancement, a perspective particularly relevant for emerging economies seeking to escape the middle-income trap.

The role of public investment has been debated through the lenses of crowding-in and crowding-out effects. Aschauer (1989) [2] suggests that public investment in core infrastructure can raise the marginal productivity of private capital and generate positive crowding-in effects by lowering production costs. Conversely, inefficient or excessive public investment may crowd out private investment by absorbing scarce financial resources or competing directly with private firms. Barro (1990) emphasizes that effective public investment requires rigorous cost-benefit analysis and minimal distortion of market mechanisms, particularly in developing economies where governance quality is critical.

Labor productivity constitutes a key transmission mechanism in endogenous growth models. While Solow (1956) treats total factor productivity (TFP) as an exogenous residual, later models (Lucas, 1988; Romer, 1990) [10] explain productivity growth through human capital accumulation, technological innovation, and knowledge diffusion. In transitional economies such as Vietnam, large inter-sectoral productivity gaps represent a structural bottleneck, necessitating coordinated policies to facilitate labor reallocation and technology adoption.

2. Literature Review

International Studies

International literature on the role of the private sector and public investment in economic growth consistently emphasizes the importance of shifting growth drivers from state-led investment toward private-sector dynamism in emerging economies. Empirical evidence suggests that such a transition is closely associated with improvements in efficiency, productivity, and growth quality.

In the case of China, Brandt *et al*. (2012) demonstrate that state-owned enterprise reforms and the expansion of the private sector made a substantial contribution to GDP growth during the period 1990-2010, while simultaneously mitigating crowding-out effects arising from excessive public investment. Similarly, Aghion *et al*. (2016), in their study of India, find that improvements in the business environment and the reduction of administrative barriers significantly stimulated private investment, leading to higher productivity growth and overall economic performance.

For ASEAN economies such as Indonesia and Thailand, reports by the Asian Development Bank (ADB, 2023) highlight that both foreign direct investment (FDI) and domestic private enterprises played a decisive role in post-COVID-19 economic recovery. In these countries, public investment is increasingly viewed as most effective when it is strategically oriented toward digital and green infrastructure, thereby creating an enabling environment for private-sector expansion rather than competing with it.

With respect to labor productivity, the Organisation for Economic Co-operation and Development (OECD, 2024) identifies widening productivity gaps across sectors and firms as a major constraint on growth in developing economies. Studies on crowding-out and crowding-in effects yield mixed results: positive effects are more frequently observed in countries with strong governance and institutional quality (such as Japan and South Korea), whereas negative effects tend to dominate in contexts characterized by weak institutions, corruption, and inefficient public expenditure, as observed in parts of Africa and Latin America.

Studies on Vietnam

Empirical research on Vietnam has increasingly underscored the growing importance of the private sector in economic growth. Chu Van Tuyen *et al*. (2025) [6] argue that the private sector has become a central driving force in Vietnam's socialist-oriented market economy, particularly in the context of digital transformation and deeper international integration. Using pre-2020 data, Pham Ngoc Hoa (2025) and Đo Thi Ngoc Lan (2025) [9] provide empirical evidence that private investment exerts a positive and statistically significant impact on economic growth, especially in southern regions of Vietnam where market-oriented reforms have progressed more rapidly.

The World Bank (2022) [13] emphasizes the need to improve public investment efficiency in Vietnam to avoid crowding-out effects and to support sustainable growth. The report highlights the role of FDI in technology transfer and productivity enhancement, while cautioning that inefficient public investment may dilute these benefits by distorting resource allocation.

More recent studies conducted in the post-pandemic period (2025-2026) [6] have focused on structural adjustments and

policy responses. Resolution No. 68-NQ/TW (2025) of the Politburo represents a major institutional milestone, officially elevating the private sector to the position of "the most important driving force" of the economy and calling for comprehensive reforms in institutional quality, credit access, and innovation support. Data released by the General Statistics Office and the Ministry of Planning and Investment (2026) [5] indicate that the private sector continued to increase its contribution to GDP, playing a decisive role in achieving an estimated growth rate of 8.02 percent in 2025.

Despite this growing body of literature, most existing studies rely on data ending before 2020 and tend to examine private investment, labor productivity, or public investment in isolation. Few studies simultaneously assess the relative impacts of these three core factors within the highly volatile post-COVID-19 context using the most recent data available.

Research Gap and Contribution

This study addresses the identified gap by integrating insights from endogenous growth theory and the literature on crowding effects with an updated quantitative analysis based on official data through 2024, supplemented by observed trends in 2025. The novelty of the study lies in its simultaneous examination of private investment growth, labor productivity growth, and the share of state investment within a unified multiple regression framework.

By empirically testing the hypothesis of a structural shift in growth drivers and contextualizing the findings within recent policy developments-most notably Resolution 68-NQ/TW-the study provides robust evidence to inform policy debates on growth quality, investment efficiency, and long-term development strategy in Vietnam.

Research Methodology

This study adopts a quantitative research approach, centering on regression analysis to examine the relationships between key determinants and Vietnam's economic growth during the period 2016-2024 [3]. The methodological choice is guided by three considerations: (i) the nature of the data, which consist of annual time-series secondary statistics; (ii) the research objective of testing hypotheses regarding the relative effects of different growth drivers on GDP growth; and (iii) the proven explanatory power of multiple linear regression models in comparable macroeconomic growth studies (e.g., World Bank, 2022 [13]; Aghion *et al*., 2016).

The empirical framework is intentionally parsimonious yet analytically focused, enabling robust estimation despite a limited sample size (n = 9). This approach helps to minimize multicollinearity risks while maintaining a high degree of explanatory power ($R^2 = 0.826$ in the baseline model).

1. Model Specification

The core empirical model is specified as follows:

$$GDP\_Growth_t = \beta_0 + \beta_1 PVT\_INV\_Growth_t + \beta_2 LAB\_PROD\_Growth_t + \beta_3 STATE\_INV\_Share_t + \varepsilon_t$$

Where:

GDP_Growth_t denotes the annual real GDP growth rate (%), measured at constant prices, serving as the dependent variable.

PVT_INV_Growth_t represents the growth rate of realized private investment (including domestic private firms and FDI), measured at constant 2010 prices (%).

LAB_PROD_Growth_t refers to the annual growth rate of economy-wide labor productivity (%).

STATE_INV_Share_t captures the share of state investment in total social investment (%), reflecting the degree of public sector dominance in capital allocation.

β_0 is the intercept term.

β_1-β_3 are the estimated coefficients measuring the magnitude and direction of each explanatory variable's impact.

ε_t denotes the stochastic error term.

The model is estimated using the Ordinary Least Squares (OLS) method, which is appropriate for short annual time series and widely applied in macroeconomic growth analysis.

2. Data Sources and Variable Construction

All data are derived from official and authoritative sources to ensure reliability and consistency, including: Vietnam Statistical Yearbooks (2016-2024) [3] published by the General Statistics Office (GSO); Annual statistical reports and preliminary 2024 [3] estimates released by the GSO; Supplementary datasets from the Statistical Office under the Ministry of Finance (2025-2026) [4, 6].

Growth rates are calculated using the standard formula:

$$Growth_t = \left(\frac{Value_t}{Value_{t-1}} - 1\right) \times 100$$

Real GDP growth and private investment growth are computed at constant prices to remove inflationary effects. The share of state investment is calculated directly as a percentage of total social investment.

The final analytical sample covers the period 2016-2024 (n = 9), reflecting data availability and the requirement to compute growth rates based on a 2015 base year.

3. Diagnostic Tests and Limitations

To ensure statistical validity, several diagnostic tests were conducted: Variance Inflation Factor (VIF) values below 5 for all variables, indicating no serious multicollinearity; Durbin-Watson statistics close to 2, suggesting no first-order autocorrelation; Residual diagnostics indicating homoscedasticity and approximate normality.

Despite these strengths, the study acknowledges limitations related to the small sample size and the exclusion of additional variables such as trade openness, institutional quality, or financial development. Consequently, the results should be interpreted primarily as robust correlations rather than definitive causal relationships. Future research may extend the analysis using quarterly data or panel econometric techniques.

Empirical Results and Discussion

This section presents the empirical findings derived from descriptive analysis and multiple linear regression estimation, followed by a discussion of their implications in light of endogenous growth theory, crowding-out mechanisms, and Vietnam's recent economic experience.

1. Labor Scale and Structural Transformation

Vietnam's labor market experienced pronounced fluctuations during the study period, particularly under the impact of the COVID-19 pandemic. Total employment increased from 53.1 million workers in 2015 to a peak of 54.7 million in 2019, before declining sharply to 49.1 million in 2021 due to widespread economic disruption. From 2022 onward, employment recovered steadily, reaching an estimated 51.9 million workers by 2024 (Statistical Office - Ministry of Finance, 2026) [4].

A notable structural shift occurred across ownership sectors:

State sector employment declined continuously in both absolute terms and relative share, from 4.78 million workers (9.0 percent) in 2015 to approximately 4.02 million (7.75 percent) in 2024, reflecting state-owned enterprise restructuring and administrative downsizing.

Domestic private sector employment remained dominant (over 80 percent of total employment) but proved highly vulnerable to external shocks. In 2021 alone, this sector lost nearly 4.2 million jobs, underscoring the fragility of small and medium-sized enterprises.

FDI sector employment expanded most rapidly, increasing by nearly 70 percent from 3.2 million workers (6 percent) in 2015 to 5.38 million (10.37 percent) in 2024. Post-pandemic employment recovery was driven largely by FDI, highlighting its role in job creation and technology transfer.

These trends indicate a gradual reorientation of Vietnam's labor structure toward more productive, investment-driven sectors, albeit with persistent vulnerability among domestic private firms.

Table 1: Number of Employed Workers in the Economy by Economic Sector

Year	Total Number (Thousand Persons)				Structure (%)		
	Total	State Sector	Non-State Sector	Foreign-Invested Sector	State Sector	Non-State Sector	Foreign-Invested Sector
2015	53,110.50	4,779.90	45,132.80	3,197.80	9.00	85.00	6.00
2016	53,345.50	4,702.30	45,052.20	3,591.00	8.80	84.50	6.70
2017	53,708.60	4,595.40	44,905.40	4,207.80	8.60	83.60	7.80
2018	54,282.50	4,525.90	45,215.40	4,541.20	8.30	83.30	8.40
2019	54,659.20	4,226.20	45,664.60	4,768.40	7.70	83.60	8.70
2020	53,609.60	4,098.40	44,777.40	4,733.80	7.64	83.60	8.83
2021	49,072.00	3,951.70	40,534.00	4,586.30	8.05	82.60	9.35
2022	50,604.71	3,995.04	41,533.20	5,076.48	7.89	82.07	10.03
2023	51,287.00	4,046.83	41,978.77	5,261.41	7.89	81.80	10.26
Prelim. 2024	51,860.30	4,018.75	42,463.40	5,378.15	7.75	81.88	10.37

Source: Department of Statistics - Ministry of Finance, 2025

2. Investment Structure and Productivity Trends

Real GDP growth remained relatively strong and stable over the period, averaging approximately 6 percent annually between 2016 and 2024. Nominal GDP expanded from USD 193.4 billion in 2015 to USD 476.4 billion in 2024 (GSO, 2025). Labor productivity improved substantially, rising from VND 97.7 million per worker in 2015 to approximately VND 241.6 million in 2024 (current prices), reflecting structural transformation and increased technological adoption.

The composition of total social investment shifted markedly toward the private sector. The share of non-state investment increased from 50.2 percent in 2015 to 55.9 percent in 2024, while the state sector's share declined from 31.7 percent to 27.6 percent. This trend underscores the growing role of private capital as the primary source of investment dynamism.

3. Regression Results

Table 2: Regression Results on Determinants of GDP Growth, 2016-2024

Independent Variable	Coefficient (B)	Standard Error	Standardized Coefficient (Beta)	t-statistic	Significance (Sig.)
(Constant)	1.125	0.892	-	1.261	0.256
PVT_INV_Growth	0.178	0.032	0.701	5.562	0.003***
LAB_PROD_Growth	0.011	0.003	0.512	3.667	0.014**
STATE_INV_Share	-0.305	0.088	-0.432	-3.465	0.018**

Source: Author's calculations from GSO data

Notes: *** $p < 0.01$; ** $p < 0.05$. $R^2 = 0.826$; Adjusted $R^2 = 0.735$; $F = 9.092$ ($p = 0.019$); $N = 9$.

The results indicate that:

Growth in private investment exerts a strong and highly significant positive effect on GDP growth, with the largest standardized coefficient (Beta = 0.701), confirming its dominant role.

Labor productivity growth also contributes positively and significantly to economic growth (Beta = 0.512), highlighting its importance for growth quality.

The share of state investment exhibits a statistically significant negative association with GDP growth (Beta = -0.432), suggesting potential crowding-out effects during the study period.

The model explains 82.6 percent of the variation in GDP growth, indicating strong overall explanatory power.

4. Discussion

The empirical findings strongly support the study's core hypothesis: private sector investment has become the principal engine of Vietnam's economic growth. This result aligns closely with endogenous growth theory (Aghion & Howitt, 1992) [1] and recent empirical studies on Vietnam's private sector dynamics.

The positive role of labor productivity underscores the importance of shifting from extensive growth driven by capital accumulation toward intensive growth based on

efficiency and innovation. However, large inter-sectoral productivity gaps remain a structural constraint.

The negative relationship between the share of state investment and GDP growth provides empirical evidence of crowding-out effects, likely stemming from inefficiencies in public investment allocation and implementation. This finding reinforces World Bank (2022)[13] recommendations calling for comprehensive public investment reform to enhance spillovers to the private sector.

Taken together, the results offer robust quantitative evidence of a structural shift in Vietnam's growth model-from state-led investment toward private-sector-driven and productivity-based growth-while highlighting the urgent need for coordinated institutional and policy reforms.

Strategic Policy Framework

Building on the quantitative findings and discussion above, this study confirms that private sector investment constitutes the most powerful driver of economic growth in Vietnam (standardized Beta = 0.701), labor productivity serves as a critical supporting factor (Beta = 0.512), while a high share of state investment is negatively associated with GDP growth (Beta = -0.432). These results are consistent with endogenous growth theory and the crowding-out hypothesis, and they reflect Vietnam's economic realities during the 2016-2024 [3] period, particularly in the post-pandemic context and under the institutional framework established by Resolution No. 68-NQ/TW (May 4, 2025), which elevates the private sector to "the most important driving force" of the socialist-oriented market economy.

To translate empirical evidence into sustainable and high-quality growth momentum, this study proposes a coherent strategic policy framework structured around three interrelated pillars: (1) strengthening and enhancing the effectiveness of the private sector; (2) improving national labor productivity; and (3) comprehensively reforming public investment to transform state capital into a developmental catalyst rather than a competitive constraint. These policy directions are designed to be feasible, mutually reinforcing, and aligned with Vietnam's development objectives toward 2030 and its long-term vision to 2045.

1. Pillar I: Strengthening and Enhancing the Effectiveness of the Private Sector

The private sector should be firmly positioned as the core pillar driving innovation, digital transformation, and international integration, in line with the spirit of Resolution 68-NQ/TW. Strategic interventions should focus on reducing business costs, improving access to productive resources, and incentivizing investment in priority sectors.

First, institutional and regulatory reforms should be accelerated to establish a transparent, predictable, and business-friendly environment. Continued implementation of annual Resolution No. 02/NQ-CP on improving the business climate is essential, with a particular focus on eliminating unnecessary and overlapping business conditions, especially in heavily regulated sectors such as healthcare, education, and logistics. A decisive shift from ex ante licensing toward risk-based ex post supervision should be promoted, alongside the adoption of a "risk-acceptance" principle in inspections and compliance enforcement. Strengthening investor protection, contract enforcement, and efficient commercial dispute resolution-potentially through the expansion of international commercial courts-would further reduce legal uncertainty and encourage long-term private investment.

Second, access to finance for private enterprises, particularly small and medium-sized enterprises (SMEs) and start-ups, should be diversified and improved. The development of capital markets should be accelerated to encourage private firms to mobilize funding through equity and corporate bond issuance. Dedicated venture capital and growth funds targeting high-technology firms should be expanded, supported by state-backed credit guarantee mechanisms. Pilot programs for cash-flow-based lending and movable-asset collateralization (e.g., inventories, machinery) should be scaled up to reduce excessive reliance on real estate as collateral. At the same time, closer linkages between commercial banks and private firms should be fostered through preferential credit programs for digital transformation and green investment projects.

Third, private investment in strategic and high-value-added sectors should be actively encouraged. Targeted and time-bound tax incentives-such as corporate income tax exemptions for R&D, technology transfer, high-tech manufacturing, and renewable energy projects-should be designed with clear performance criteria. Improved public-private partnership (PPP) frameworks with transparent risk-sharing mechanisms are particularly important for digital infrastructure, transport networks, and green infrastructure. These measures should be closely aligned with Vietnam's commitments under COP26 and new-generation trade agreements such as the EVFTA.

2. Pillar II: Enhancing National Labor Productivity

Raising labor productivity is essential for transitioning from factor-driven growth toward productivity- and innovation-led development. Policy measures should focus on human capital formation, technological adoption, and labor market restructuring.

First, comprehensive reform of the education and vocational training system is required to better align skills supply with enterprise demand. Firms should be encouraged to participate in defining learning outcomes, designing curricula, and offering apprenticeship and internship programs. Large-scale reskilling and upskilling initiatives should prioritize digital skills, data analytics, automation, and creative problem-solving-competencies critical to Industry 4.0. A national program to train one million digital workers by 2030 could be implemented through cost-sharing arrangements between the state and the private sector.

Second, stronger support for enterprise-level technological upgrading and innovation is needed. The establishment of an effective national technology transfer platform could enhance linkages between research institutes, universities, and businesses. Financial support mechanisms-such as interest rate subsidies, concessional loans, and innovation funds-should be expanded to assist firms in digitalizing production processes, implementing enterprise resource planning (ERP) systems, adopting artificial intelligence, and developing platform-based business models. High-tech clusters in major growth poles such as Ho Chi Minh City, Da Nang, and Binh Duong should be further developed to foster agglomeration effects.

Third, labor market institutions should be restructured to enhance flexibility and efficiency. Legal frameworks governing flexible employment, unemployment insurance,

and social protection should be adapted to accommodate new forms of work, including remote work and the gig economy. Policies facilitating labor mobility from low-productivity sectors (traditional agriculture and informal employment) to higher-productivity sectors should be strengthened through retraining programs, job-matching services, and targeted support for internal migrants (housing, healthcare, and education access).

3. Pillar III: Comprehensive Reform of Public Investment

To mitigate the negative growth effects associated with a high share of state investment, public investment policy must be reoriented toward selectivity, transparency, and catalytic impact.

First, project selection and preparation should be substantially improved. Public investment decisions must be based on rigorous cost-benefit analysis, incorporating spillover effects, environmental sustainability, and long-term productivity impacts. Absolute priority should be given to connectivity infrastructure (transport, logistics, digital networks) and high-quality social infrastructure (education and primary healthcare). A national database on construction and investment costs should be established to enhance benchmarking and reduce waste and cost overruns.

Second, monitoring, evaluation, and accountability mechanisms should be strengthened. Large public investment projects should be subject to real-time digital monitoring to ensure transparency and timely implementation. Mandatory ex post evaluations assessing socio-economic effectiveness should be institutionalized, with results feeding back into policy design and enforcement of accountability for investors, consultants, and contractors in cases of inefficiency or misconduct.

Third, the structure of public investment should be rationalized to reduce direct state participation in sectors where private investment is viable and efficient. Public resources should be increasingly concentrated on foundational investments that lower economy-wide production costs-such as digital infrastructure, science and technology platforms, essential public services, and green transition projects-thereby amplifying crowding-in effects for private investment.

Taken together, these three pillars are mutually reinforcing: efficient public investment creates an enabling environment for private sector expansion; a dynamic private sector generates fiscal revenues to reinvest in human capital and infrastructure; and higher labor productivity enhances value creation and international competitiveness. This virtuous cycle constitutes the foundation for sustainable and high-quality growth in Vietnam over the coming decades.

Conclusion

This study provides empirical evidence on the determinants of Vietnam's GDP growth during the period 2016-2024 [3] using a multiple linear regression framework. Three key conclusions emerge.

First, the private sector has unequivocally established itself as the most important driver of economic growth. Quantitative results indicate that growth in real private investment contributes most strongly and significantly to GDP expansion. The gradual reallocation of investment from the state sector toward private enterprises over the past decade represents a structurally sound adjustment, enhancing the economy's resilience to external shocks.

Second, labor productivity plays a decisive role in shaping long-term growth quality. The positive association between productivity growth and GDP growth confirms that sustainable development cannot rely solely on capital accumulation but must be underpinned by efficiency gains, technological upgrading, and human capital development to avoid the middle-income trap.

Third, the current allocation of state investment has not yielded returns commensurate with its scale. The negative relationship between the share of state investment and GDP growth suggests that excessive or inefficient public investment constrains growth by limiting access to resources for more dynamic sectors. When national financial resources are overly concentrated in low-efficiency public projects, opportunities for private-sector expansion are reduced, slowing overall economic growth.

To sustain long-term growth momentum, policy efforts should focus on reducing regulatory and compliance costs, ensuring equitable access to capital and resources for private enterprises, and reorienting public investment toward strategically selective, high-spillover infrastructure projects. Simultaneously, large-scale investment in digital skills and technological upgrading is essential to enhance real labor productivity.

In summary, the experience of 2016-2024 underscores a clear lesson: economic growth depends not merely on the volume of investment, but on who controls capital and how effectively it is deployed. Reallocating resources from inefficient uses toward a dynamic, productive private sector constitutes the central key to Vietnam's future prosperity.

Conflict of Interest

The author declare that there are no conflicts of interest regarding the publication of this article.

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