

## Stock Market Development Opportunities and Factor Analysis

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### ABSTRACT

This article focuses on analyzing opportunities analysis for Vietnam stock market in recent years. Method: Methodology includes Qualitative research method: synthesis and inductive methods. Results: Authors stated opportunities for stock market development including but not limit to: current low deposit rates, M&A opportunities in market still rise; coming from policy innovation efforts from the government (local); positive economic growth (average 5.2% last 3 years); etc. From our above analysis, we suggest that to reduce fluctuation of stock market, we need policies supporting GDP growth as well as increasing liquidity if we want to have more fluctuation on market.

**Keywords:** SWOT; Factors; Stock market; Growth; Law.

### 1. Introduction

Nowadays in developing countries such as Vietnam, stock market plays a vital role in Circular economy partly and contributes to increasing value for businesses, reducing resource exploitation, and enhancing economic values.

Therefore, we will recognize there are many opportunities and challenges that come from strengths and weaknesses of stock market, for instance, there will be challenges and difficulties from the government support, or banking and financial assistance. While the opportunities will come from the efforts of government policy innovation, as well as commitment from investors (local and foreign).

Hence authors choose this topic of **Stock Market Development Opportunities and Factor Analysis** and our paper is organized with introduction, previous studies, main findings, discussion and conclusion.

Analysis of latest research where the solution of the problem was initiated.

### 2. Summary of Previous studies

In particular, Reslan, et al. (2022) mentioned that Realization of a *Circular Economy* is paramount to solving global challenges in resource scarcity, sustainable manufacturing, and supply chain uncertainty. A *Circular Economy* (CE) is an economic system hallmarked by linearity reduction, decoupling of economic growth and resource depletion, and favoring regenerative models that consider sustainability.

It appears that stock markets can stimulate economic growth in several ways. First, stock markets play an important role in allocation of capital to corporate sector which result in an increase in real economic activities (Shahbaz, et al., 2008).

Moreover, Han, L.T. (2024) also analyzed and mentioned that there will be many macro factors including money supply and loans from banks that affect the market.

Next we also look at below table:

**Table 1.** Previous studies

Authors	Year	Content, results
Ross, et al.	1996	Some theories provide a conceptual basis for the belief that larger, more efficient stock markets boost economic growth. This article examines whether there is a strong empirical association between stock market development and long-run economic growth. Cross-country growth regressions suggest that the predetermined component of stock market development is positively and robustly associated with long-run economic growth.
Sonn & Lee	2012	These economic impacts are reflected in key economic indicators such as FDI's contribution to Gross Regional Domestic Product (GRDP) and job generation. The branch-plant syndrome – negative consequences of the growth in the regions with branch plants being dominant – might appear in recipient locations if FDI projects are speculative or without extensive or intensive production networks.
Karagol & Dogan	2021	This had Turkey as a case study, illustrated that there is a strong connection between the financial cycle and the economic cycle. In this sense, the authors recommend economic policymakers to consider the role that financial factors can have in the efficiency level of the measures adopted by them. In the case of this study, the proxy variables for the dynamics of the financial cycle were not only those regarding the dynamics of credit but also those regarding the dynamics of the capital market.
Gheewala, et al.	2021	Solutions to handle pollution have moved from end-of-pipe treatment to cleaner production and now towards a circular economy. A circular economy tries to move away from this linear model in trying to extend the life of products and services while minimizing burdens to the environment. To ensure that there are actually environmental benefits, a life cycle thinking approach is essential.
Caporale, et al.	2004	Stock markets may encourage economic growth through increasing the liquidity of financial assets which seems to be crucial in developing countries. Third, stock markets provide investment opportunities by mobilizing domestic savings which in turn promote wiser investment decisions.
Dumitrescu, et al.	2023	Results showed a strong connection between the dynamics of the financial system and that of the real economy. In addition, the impact of financial factors on the economic cycle tends to be much stronger and more significant in the case of developing countries, compared to developed ones. In this regard, it was recommended that fiscal and monetary policies should be coordinated to generate the expected effect on the economy.

SOURCE: Author Synthesis.

Hence we choose this topic: **Stock Market Development Opportunities and Factor Analysis.**

### 3. Methodology

**-Qualitative research method:** We also uses comparison and synthesis method, combined with analytical and inductive methods, whereas we take advantage of historical (combined with) dialectical materialism method for our qualitative analysis.

**-Quantitative research methods:** Authors use scientific results as reference.

### 4. Main findings and discussion

#### 4.1. Overview of domestic research situation

First of all, the market gradually became positive from 2012 to 2019 when the expansionary monetary policy after the period of controlled high inflation caused interest rates to drop sharply, promoting economic recovery. The VN-Index at this time returned to the time above 1,100 points, specifically more than 1,200 points in the beginning of the second quarter of 2018.

One of the most important factors for the Vietnamese stock market in 2024 is the opportunity to be upgraded by FTSE Russell. Forecasts show that in September 2024, Vietnam may be considered for an official upgrade and by September 2025, FTSE may be officially upgraded. This event not only increases the opportunity to attract foreign capital but also creates a strong motivation for domestic investors, thereby promoting transaction value and market liquidity. Considering investment trends, industries predicted to have potential include power construction, oil and gas, seafood, banking and real estate (Source: vinathis.com).

Moreover, Some domestic studies such as that of the author group Phan Thi Bich Nguyet & Pham Duong Phuong Thao have a research article on "The relationship between the stock market and the real estate market: The case in Ho Chi Minh City" published in the Journal of Economic Development 27th year (5) May 2016, pages 45-62. The research was carried out by testing the correlation between the stock market (stock market) and the real estate market (real estate market) in Vietnam through a typical case in Ho Chi Minh City in the period from quarter 1/2009 to quarter 3/2014. Expert opinion surveys show that macroeconomic factors include: GDP, interest rates, inflation, fiscal policy, monetary policy, legal regulations related to the stock market, international capital flows, the currency market has an impact on the stock market and the real estate market, and these two markets themselves also have a two-way impact on each other.

#### 4.2. SWOT analysis

**Table 2.** SWOT analysis

<b>Strengths</b>	<b>Weaknesses</b>
<p>- the domestic economy intend to keep stable (positive) GDP growth and the central bank tries to manage or control inflation well.</p>	<p>- in the past years, banks and investors have experienced losses from real estate bubbles and it takes place during the economic recession.</p>

<ul style="list-style-type: none"> <li>- M&amp;A opportunities in market still rise.</li> <li>- VN30 index still rise.</li> </ul>	<ul style="list-style-type: none"> <li>- there are global impacts from US-China commercial war, Covid 19 and Russia-Ukraine war.</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>- coming from policy innovation efforts from the government (local).</li> <li>- positive economic growth (average 5.2% last 3 years).</li> <li>- develop new economic models on cycle economy, green economy, sharing economy, digital economy, chip industries, robotic, etc.</li> <li>- current deposit rates: low.</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>- low productivity, still lack of high qualified laborers.</li> <li>- slow global economic growth.</li> <li>- the impacts from global economic recession might be extent (not only one impact, but combined global impacts).</li> </ul>

SOURCE: Author Analysis.

### 4.3. Quantitative results

Next, we comment on the statistical data of the variables as follows:

Variable	Obs	Mean	Std. Dev.	Min	Max
Stockmarket~n	68	.0002132	.0001785	.0000234	.0007897
Totalvolume	68	3921.228	5432.033	97.154	26057.06
Capitaliza~n	68	1763458	1545527	131920.9	5870037
GDP	68	1025166	641452.8	184359	2674279
stockmarke~e	68	.0030784	.0024505	.0004647	.0108408
Liquidity	68	1.629505	.7793546	.5550691	4.683425

**Figure 1.** Descriptive statistics for VN stock market

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> regress Stockmarketfluctuation Totalvolume Capitalization GDP stockmarketsize
> Liquidity

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Source	SS	df	MS	Number of obs	=	68
Model	4.5725e-07	5	9.1450e-08	F(5, 62)	=	3.38
Residual	1.6777e-06	62	2.7060e-08	Prob > F	=	0.0092
Total	2.1350e-06	67	3.1865e-08	R-squared	=	0.2142
				Adj R-squared	=	0.1508
				Root MSE	=	.00016

  

Stockmarket~n	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
Totalvolume	1.21e-08	1.45e-08	0.83	0.410	-1.70e-08 4.11e-08
Capitalizat~n	2.14e-11	6.82e-11	0.31	0.754	-1.15e-10 1.58e-10
GDP	-2.07e-10	1.08e-10	-1.92	0.059	-4.22e-10 8.36e-12
stockmarket~e	-.0195805	.0229817	-0.85	0.397	-.0655202 .0263592
Liquidity	.0000415	.0000562	0.74	0.462	-.0000707 .0001538
_cons	.0003329	.00009	3.70	0.000	.0001529 .0005129

**Figure 2.** Vietnam trade facilitation indicators based on TFA

SOURCE: Made by Authors.

Although specialized inspection has been reformed and highly appreciated by the business community, there are still some shortcomings presented in SWOT analysis above.

**As we also see from above figure 2:**

- GDP growth will has negative corr with stock market fluctuation.
- Liquidity has positive corr with stock market fluctuation.

## 5. Conclusion

From our above analysis, we suggest that to reduce fluctuation of stock market, we need policies supporting GDP growth as well as increasing liquidity if we want to have more fluctuation on market.

According to Ho Chi Minh, contributing to the development of production must become a measure of each person's morality and revolutionary will, and he requested to "resolutely fight against the disease of empty talk, the habit of showing off formalities, and improper ways of working aimed at improving production" (source: Ho Chi Minh Complete Works, volume 13).

Moreover, the government needs to improve roles of laws and regulations in case of Vietnam: the purpose is to limit negative sides/effects and harmonize benefits among related parties on stock market such as: investors, issuers, businesses, etc.

And it is necessary to research and promulgate regulations on safe lending policies to limit risks. This need proper lending policy or vital roles of banks (TD Thang, DTN Huy, PA Dung, LN Nuong & DTN Hien, 2024).

## Declarations

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### Competing Interests Statement

The authors have declared that no competing financial, professional or personal interests exist.

### Consent for publication

All authors contributed to the manuscript and consented to the publication of this study.

### Authors' contributions

All the authors took part in literature review, analysis, and manuscript writing equally.

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