SUMMARY OF PhD DISSERTATION

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**Dissertation title:**. The relationship between economic growth and stock market. Evidence from Vietnam

**Scientific field of the dissertation:** Economics **Code:** 62.31.01.01

**The name of postgraduate training institution:**University of Economics and Law, Viet Nam National University, Ho Chi Minh City

1. **DISSERTATION SUMMARY**
	1. **Reserch objectives**

 *First,* the overall objective of the research makes theoretical and empirical evidence clearly about the relationship between economic growth and stock market in Vietnam. Meanwhile, the research considers the factors that affect this relationship.

 *Secondly,* the research reviews the indicators measured the stock market development by market size which is expressed through market capitalization ratio on GDP, liquidity is measured by total trade value ratio on GDP and macroeconomic variables selected including inflation measured by consumer price index (CPI), money supply M2 on GDP, total investment on GDP ratio.

 *Thirdly,* the research also analyzes and evaluates the formation, operation and development of Vietnam's stock market, assess the effect of economic growth in Vietnam in recent years based on the available secondary data to understand more about the current status of economic growth, stock market development and macroeconomic variables involved.

 *Fourthly,* the research figures out the policy implication how to promote the development of securities market in association with economic growth up to year 2020 in Vietnam. The base of these solutions relied on the perspectives and the objectives in development of the securities market and the economy in Vietnam to year 2020 by the Communist Party and the State, based on the opinion of experts interviewed and the surveys, from the results of quantitative analysis, and the state of the stock market development and economic growth of Vietnam in recent years.

1. **Research methodology**

The research uses two main methods include quantitative and qualitative researchs.

 *First*, regarding to the quantitative research method, the author uses the vector error correction model (VECM) to quantify the causal relationship between stock market development and economic growth. Then, the research conducts Granger causality test, the variance decomposition and impulse response analysis to consider the impact of the variables in the model.

 *Secondly*, regarding to the qualitative research method, the author uses in-deep interviews with the experts and conducts the survey with main target respondents such as group of managers of securities companies, investment fund, management levels of Hanoi Stock Exchange and Ho Chi Minh Stock Exchange, investment banks, financial companies ... Totally, the research collected 20 records of the experts. In addition, the research conducted 174 answers from the survey. In order to reinforce important roles of listed companies, the research had conducted a survey in 40 quoted companies with the target respondents such as directors, the management levels, chief accountant or chiel financial officer in the companies.

1. **Major results of the research**

 *Firstly*, through the VECM, the author has found that Vietnam economic growth has the long-term link with the variables in the research model including stock market development, consumer price index (CPI), money supply M2 on GDP, total investment on GDP. The stock market development has a positive impact on economic growth in Vietnam. The result of variance decomposition of economic growth shows that the stock market has a small contribution to GDP. In addition, through the Granger causality test suggests a unidirectional causal relationship from the stock market to economic growth. This effect is due to the size of the market capitalization of the listed companies on two Stock Exchanges which were large enough to affect GDP but there is not enough evidence to conclude that the market liquidity and turnover ratio measured dynamics of the market have any causal relationship to GDP.

*Secondly*, the research result shows that 1% increase stock market development may increase around 0.185% in economic growth in terms of other factors which do not change. Based on literature review, Boopen Seetanah, Rojid Sawkut, Vinesh Sannasee and Binesh Seetanah (2007) concluded that on average 1% increase in stock market development contributed 0.17% increase in GDP in the group of developing countries.

*Thirdly*, the one-way relationship from the stock market to economic growth shows that the stock market is still relatively young at the beginning of the development stage but still suits with development level of the economy in the developing stage of Vietnam. This result is entirely consistent with the research of Patrick (1969) to assume that at the initial stage, the phenomenon of dominant pull supply which the stock market and financial development will result in economic growth. But later when the economy performs well and sustainably , the trend will reverse which economic growth will impact on the stock market.

**3. THE ABILITY FOR APPLICATIONS IN PRACTICE AND FUTURE RESEARCH**

**3.1. The ability to apply in practice**

*First,* the research hopes the possibilities in practical applications in solution implication about policies to promote the development of stock market associated with economic growth in Vietnam to year 2020 to the boards of the stock market management owned by the State such as State Securities Commission, two Stock Exchanges, Vietnam Securities Depositor, securities companies , investment fund... Besides, the demand side emphasizes on domestic investors and foreign ones. The synchronization of solutions includes restructuring and rearranging securities business organizationss, creating conditions for market development in depth, more diversified new products, strict market management, use of international practice in trading and client management. Other important solutions should focus on improving liquidity and the dynamism of the market through attracting more investors who will enter into the market. Thus, we need: (i) Diversify the products and services (ex: derivative securities with options, forward, future and swap products); (ii) Expand professional investment funds; (iii) Improve in market transparency and the policies to integrate Vietnam stock market into the region and the world’s securities markets; (iv) Continue macroeconomic stability in terms of controlling inflation suitably, stabalize the money supply M2 at a reasonable level, risk management for the investment which will contribute to support for economic growth and play an important role for the development of Vietnam's stock market in the future.

*Secondly,* this study aims to understand the mutual relationship between economic growth and the development of the stock market. Moreover, the research will be a deep study about Vietnam securities market which is placed in the relationship among the macro factors of the economy and the stock market indicators. This study hopes to have a certain significance for both researchers, investors, and policy makers about finance and economics. For researchers, financial and economic model can expand constituent factors in the economic growth equation of a nation by looking at the role of the stock market which contributes capital for the growth. Beside, the investors who participate in the market can take a look into the factors that can affect stock prices, prediction and research of the important macroeconomic variables using them as a reference for their good investment portfolio to increase profit and reduce risk. For policy makers about finance and economics, they can create the policies which adjust appropriate macroeconomic factors to support for the development, ease for supporting the listed companies who need captial for business projects and use the market as an important tool for economic development strategy of the country.

*Thirdly,* the development of a stock market should be measured in its size, liquidity and market dynamics. The research hopes in the future when the stock exchanges build indicators of stock market development, they will build a good connection on those indicators figured out in the dissertation into a new index to perform better the development of the stock market**.**

**3.2. Future research**

With many issues left in the dissertation, the author would like to be given directions for future research include: (i) Expanding the research to the link between economic growth and the development of Vietnam stock market and ASEAN countries based on time serie data. The purpose is to compare Vietnam and other ASEAN countries. On the other hand, ASEAN maybe classified into two groups including developed countries and less developed ones as an another idea for future research; (ii) For qualitative research , the research wants to expand the scope in term of respondents such as increasing the number of experts for in-deep interviews and the surveys; (iii) In addition to running the updated data can also develop models towards using a dummy variable. This dummy variable will divide into two period: before and after the financial - economic crisis from year 2007 to year 2009 to compare before and after the crisis the change in the relationship between economic growth and stock market development in Vietnam.

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