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What drives the satisfaction and loyalty of foreign investors in a locality? Empirical evidence in Nghe An, Viet Nam

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ABSTRACT

The study aims to examine the factors affecting the satisfaction and loyalty of foreign investors in a locality through 'hard' infrastructure and 'soft' infrastructure factors. The author used Cronbach's Alpha, EFA, and SEM to analyze primary data and test the hypothesis. The findings indicate that factors such as Infrastructure, Human Resources, Investment Policy, Living Environment, Local Brand, Quality of Public Services, and Local Advantages impact FDI investors' satisfaction. Meanwhile, Competitive input costs are the only factor affecting the loyalty of FDI investors which differs from previous research. These results serve as a crucial foundation for Vietnamese municipalities to implement various strategies to enhance satisfaction and bolster the loyalty of FDI investors, ultimately amplifying the draw of foreign direct investment into the area.

1. Introduction

With the strong scientific and technological revolution and international integration, foreign investment has become a crucial factor in the economic development of every nation and region. A country like Vietnam, with many local economies that are still extremely impoverished and underdeveloped, cannot rely solely on limited domestic capital. Thus, outside investment capital, particularly foreign direct investment (FDI), is crucial. In addition to providing communities with much-needed capital, FDI also indirectly assists the government in more sensibly adjusting and allocating budgetary resources to localities and territories, creating a 'push' for their economic development. Reality shows that FDI has been still a crucial source of capital supplementation for the developing economy in recent years, helping to satisfy the demands of investment development and economic expansion (Dang et al., 2023).

Nghe An province, which is located in Vietnam's north central area, consistently decides that FDI flow would be a crucial capital flow and a motivating factor to accelerate socioeconomic development. Nghe An province has taken numerous measures to boost FDI attractiveness since it began to draw in investment (in 1992), but the results have not been as good as expected.

Although FDI has expanded, most of it is going toward small-scale projects with relatively low implementation costs. While FDI enterprises have contributed to the socio-economic development of Nghe An province, it is still relatively minor in comparison to the potential of the local community and does not bring contemporary technology to the locality. Projects that create momentum for strong socio-economic

development are not many, and their contribution to provincial GRDP and provincial budget revenue is still low… Upon establishing the primary objective, it becomes apparent that Nghe An province ought to embrace more intricate and resilient strategies to allure FDI funds. Emphasizing meeting satisfaction of foreign investors engaged in local investment emerges as the most efficacious approach to attract FDI. The favorable and successful business outcomes achieved by these FDI enterprises are poised to yield amplified inflows of FDI capital, consequently bolstering the province's position within the local economy and fostering heightened interest among additional foreign investors. In other words, the province needs to consider investors as its customers that it must satisfy and retain. A locality can attract numerous foreign investors by meeting their desires through internal factors and the quality of services they provide, ultimately leading to investor satisfaction. Effective FDI attraction strategies will increase investor satisfaction - understanding their needs, desires, and the factors that maintain their loyalty to the locality. Answering the question: 'What drives the satisfaction and loyalty of FDI investors?' is not only necessary to satisfy current foreign investors but also helps to attract more potential foreign investors in the future.

Research on customer loyalty and satisfaction has been done a lot before, but mainly in the fields of goods production and services, not for foreign investors. Most of the previous studies about FDI have been on factors affecting FDI attraction, the effectiveness of FDI, and the impact of FDI on the socio-economy of a locality or country, and there have not been many studies on the satisfaction or loyalty of foreign investors. Therefore, a thorough investigation into the factors impacting investor satisfaction, loyalty, and their interconnectedness within the local context remains insufficiently addressed. Specifically, there is a requirement for a quantitative assessment of these influencing factors. This constitutes the foundational understanding necessary to elucidate why this locality garners more FDI compared to others. Hence, there is a need for a scientific assessment of the relationship between the satisfaction and loyalty of foreign investors at the local level in Vietnam, to derive pertinent policy implications. This article concentrates on examining the influencing factors on the satisfaction and loyalty of foreign investors, thereby informing policy implications for the locality. Furthermore, the findings of this research contribute to further validating the theoretical frameworks within a specific locale.

2. Literature review and hypothesis development

Numerous studies have been conducted presenting various definitions of service quality. There exists a pronounced distinction between service quality and product quality, where product quality is assessed through specific technical criteria while service quality stems from customer perceptions. In other words, the individual determining the evaluation outcome of service quality is the customer. According to Parasuraman et al. (1985), 'Service quality is the customer's satisfaction measured by the difference between expected and perceived quality'.

Similarly, to the various definitions of service quality, there exist diverse interpretations and debates regarding customer satisfaction. According to Hansemark and Albinsson (2004), 'Customer satisfaction is an overall attitude of the customer toward a service provider, or an emotional response to the discrepancy between what customers anticipate and what they receive, regarding the fulfillment of certain needs, goals, or desires'. Kotler et al. (2002) define it as 'Customer satisfaction is a feeling of pleasure or disappointment resulting from the comparison of perceived performance (or results) with their expectations'.

Service quality and satisfaction are closely intertwined (Parasuraman et al., 1988). Research findings by Parasuraman et al. (1988) indicated that higher perceived service quality leads to greater customer satisfaction. Studies by Buttle (1998), Lee et al. (2000), and Gilbert and Veloutsou (2006) also demonstrated that service quality results in customer satisfaction. To achieve a high level of customer satisfaction, most researchers assert that high service quality must be delivered by service providers, as service quality is commonly perceived as a precursor to customer satisfaction (Shanka, 2012). As service quality improves, customer satisfaction increases. Quality is just one of several aspects upon which satisfaction relies; satisfaction is also a potential predictor of future quality perceptions. Siddiqi (2011) described how all service quality attributes are positively associated with customer satisfaction and customer satisfaction is positively linked to customer loyalty in retail banking settings. Furthermore, Auka (2012) also contends that service quality leads to high customer satisfaction and increased loyalty.

Customer loyalty is defined as a sustainable relationship between an individual's attitude and repurchasing, symbolized by the ratio, coordination, and ability to repurchase from the same supplier (Dick & Basu, 1994). There are three primary approaches to studying customer loyalty that are behavioral approach by Seiders et al. (2005), the attitude approach by Jacoby and Chestnut (1978), and the composite research approach. Loyalty in behavior is often manifested in a behavior-based approach concerning future repurchase behavior, the frequency and amount of repurchase, and brand switching in each purchase instance (Bandyopadhyay & Martell, 2007). Attitudinal loyalty is an approach emphasizing the role of experience and emotional aspects in loyalty, reflecting customer actions, tied to their past buying limits with a specific brand or a group of brands potentially purchasable in the future based on past buying behavior (Evanschitzky & Wunderlich, 2006). The authors believe that the composite method, considering both attitude and behavior, is the most robust and suitable approach for research as it captures the two most significant influences on user decisions (Rujrutana & Yaowalak, 2011).

Service managers and market researchers posit a robust theoretical framework underpinning empirical inquiries into the nexus between customer satisfaction and loyalty. Empirical studies affirm a pronounced and affirmative correlation between customer satisfaction and loyalty. They reveal that contented customers display a higher inclination toward loyalty compared to their less satisfied counterparts, thereby holding substantive implications for a company's performance (Reichheld & Sasser, 1990). Conversely, dissatisfaction often precipitates customer defection. Such satisfaction positively correlates with customer loyalty, whereas discontentment tends to drive customer attrition. A satisfied customer is more likely to engage in repeat purchases and disseminate their experiences to five or six others (Gronroos, 2000; Zairi, 2000). Furthermore, even slight dissatisfaction among customers might prompt them to discontinue business relations with an organization, notwithstanding the organization's substantial efforts to satisfy them (Mohsan et al., 2011). As customer satisfaction escalates, so does the degree of loyalty. These above studies collectively conclude a significant and substantive correlation between customer satisfaction and loyalty, affirming that heightened levels of customer satisfaction engender heightened loyalty toward companies. However, there are mediating factors between satisfaction and loyalty (Uslu & Eren, 2020).

Applying the satisfaction and loyalty of customers and their relationship in FDI attraction of a country or a province, it can be seen that foreign investors are customers, and the host countries or provinces are the providers. If foreign investors are satisfied with their investment in host countries, they will continue, or expand their investment so they are loyal customers.

To build the conception of foreign investors' satisfaction and loyalty and the factors affecting them, the author based on some theoretical frameworks about determinants of FDI such as Dunning's eclectic theory (Dunning, 1979), theory of investment environment, theory of National Competitive Advantage of Industries (Porter, 1985).

Developed by Dunning in 1979, the eclectic theory is also called the OLI model. According to this theory, there are three accommodating a wide range of operational advantages behind the rationale of engaging in FDI activities: (1) Ownership advantages (O), (2) Location advantages (L), (3) Internalization advantages (I). Ownership advantage can also be considered as a competitive advantage involving the advantages of technology, notable economies of scale, comparative advantage from the proprietorship of some intangible assets such as patents and brands as well as management skills over potential competitors. Location advantage focuses more on the geographic advantages and other advantages including availability of raw materials, large market size, low cost of production process factors, and a favorable policy of host countries. Internalization advantage may be seen as the interaction between the two above advantages. This is the case when a firm chooses between carrying out development internally and licensing the jurisdictions to means of enlargement to other firms. If the net benefits of internalizing cross-border intermediate product markets surpass that of exchanging through licensing or exporting the right to a foreign firm, there will be a higher chance of firms preferring to engage in foreign production itself.

According to the theory of investment environment, the investment environment is the set of specific local factors that are shaping the opportunities and motivations for enterprises to invest effectively, create jobs, and expand exports… Based on opportunity costs, risks, and competitive barriers in investment, investors figure out opportunities and motivations to invest in a certain location. There are many different factors affecting the investment decisions of FDI investors, however, they can be classified into two

types as follows: (1) hard infrastructure (economic infrastructure, seaports, quality of human resources), these are factors that need time and financial resources to improve; (2) soft infrastructure (government capacity, investment incentives, etc.) This is a group of factors related to the leadership philosophy of local managers.

According to the theory of National Competitive Advantage of Industries, Micheal Porter (1985) built a diamond-shaped framework that focuses on explaining why some industries in some countries are so much more developed and competitive compared to industries elsewhere on the planet. Porter argues that any company's ability to compete in the international arena is based mainly on an interrelated set of location advantages that certain industries in different nations possess, namely: Firm Strategy, Structure, and Rivalry; Factor Conditions; Demand Conditions; and Related and Supporting Industries. This theory sums up the location advantages that Dunning is referring to in his Eclectic paradigm (also known as the OLI framework). The Diamond Model could therefore be used when analyzing foreign markets for potential entry or when making FDI decisions. In the context of this study, we can consider this theory as local competitive advantages or local marketing theory.

Those theories explain why a foreign investor chooses a locality to carry out FDI. A foreign investor will look for favorable points in a locality before investing. If they meet all the requirements for FDI enterprises to operate effectively, they will invest. When investing effectively, they will be satisfied and decide whether to continue investing or not. So the factors affecting FDI investors making decisions to invest are also the factors impacting their satisfaction and loyalty.

The satisfaction of foreign investors (the target clientele) concerning a specific location or locale (product, service) originates from the FDI enterprise's perception of contentment or discontentment. This perception is rooted in the comparison between the perceived experiences and expectations during the implementation of an FDI project within a particular location or locale. It also pertains to their intention for prolonged engagement, business expansion, and the introduction of new enterprises. The primary objectives of FDI investors when approaching a specific locality encompass cost-effectiveness, adherence to timelines, project operational capabilities, revenue generation, and profitability. Consequently, their contentment leads to the selection of long-term investments in locales that facilitate the most expedient, efficient, and cost-effective achievement of their objectives.

If we consider FDI investors as the sought-after clientele of a region, their satisfaction entails their contentment with the investment services offered by the locale. This includes an assessment of the potential customer base or prospective market that can be accessed from the locality, as well as intrinsic factors such as the locality's infrastructure, labor force, investment incentive policies, or fundamentally, the local investment and business environment (Dang & Nguyen, 2019). A conducive investment and business environment are seen as 'the linchpin' that facilitates stable operations and growth for FDI enterprises. According to the World Bank, the 'investment and business environment comprises distinct local elements that significantly influence the opportunities and impetus for efficient investment, expansion of production, and employment generation for the populace' (The World Bank, 2004).

The Vietnam Chamber of Commerce and Industry (VCCI), with support from the United States Agency for International Development (USAID) in Vietnam, has utilized the Provincial Competitiveness Index (PCI) to measure and evaluate the quality of economic governance, the level of convenience and friendliness in the investment and business environment, and the administrative reform efforts of provincial and municipal authorities in Vietnam. This initiative aims to foster the development of the private economic sector. According to VCCI, a locality is deemed to have good quality governance or a favorable investment and business environment if it possesses the following characteristics: (1) low market entry costs; (2) easy access to and stable use of land; (3) a transparent business environment with publicly available business information; (4) low unofficial costs; (5) swift inspection, examination, and implementation of regulations and administrative procedures; (6) equitable competitive environment; (7) proactive provincial authorities demonstrating innovation in addressing business issues; (8) high-quality business development support services; (9) sound labor training policies; (10) fair and efficient dispute resolution procedures while maintaining public order and security.

The investment business environment of a locality comprises both hard and soft infrastructure. These facets bear upon the opportunity costs, the risk, and the impediments to competition throughout the

investment trajectory. Investors, based on an evaluation of these three dimensions, ascertain their investment decisions concerning a specific locale. Furthermore, T. H. Nguyen et al. (2004) applied the theory of local marketing to scrutinize factors influencing investor satisfaction, including (1) infrastructure, (2) investment incentives, and (3) natural and social determinants.

Building upon the foundation of prior research and theories, the research hypotheses are proposed in Table 1 and the research model is shown in Figure 1.

3. Methodology and data

3.1. Methodology

The study was conducted by combining qualitative and quantitative research methods. Qualitative research is conducted to determine the appropriate model, factors, and measurement variables for the study. Based on the above research theories, inheriting the scales of previous studies on FDI attraction, the author proposed a demo questionnaire and then used a group discussion method with 10 experts working in relevant units such as the Department of Planning and Investment, Department of Industry, and Trade, Department of Finance, Tax Department, and Management Boards of economic and industrial zones in Nghệ An province. The scale and variables formed in qualitative research will be the basis for building an official survey questionnaire. The following official scale and variables are shown in Table 2.

After the official variable encoding process, the study intends to employ a combination of descriptive analysis, correlation analysis, factor analysis, and Structural Equation Modeling (SEM) methodologies to elucidate and derive inferences regarding interrelationships among variables.

3.2. Data

The primary data were collected from FDI investors involved in surveys and FDI projects in Nghệ An province through both online and offline questionnaires. The survey was conducted from December 2022 to April 2023. Before conducting the interview and survey, the authors received a waiver for human research ethics from Vinh University's Research Ethics Committee because the research was not dangerous, and participants were completely voluntary. Research data is completely confidential and is used for research purposes only.

The questionnaire employed a five-point Likert scale (Strongly Disagree, Disagree, Neutral, Agree, Strongly Agree) to enable FDI investors to evaluate factors influencing their satisfaction and loyalty in Nghe An province. The authors distributed 360 questionnaires both online through email for respondents and offline (directly interviewed) in their offices. After excluding responses that did not fully meet the requirements, only 314 valid responses were obtained. According to Hair et al. (2009), this sample

Table 1. Propose hypotheses.

Hypotheses	Content	Expectation
H1a	Infrastructure's impact on the satisfaction of FDI investors.	+
H1b	Infrastructure's influence on the loyalty of FDI investors.	+
H2a	Human labor's impact on the satisfaction of FDI investors.	+
H2b	Human labor's impact on the loyalty of FDI investors.	+
H3a	Policy impacts on the satisfaction of FDI investors.	+
H3b	Policy impacts on the loyalty of FDI investors.	+
H4a	Living and working environment's influence on the satisfaction of FDI investors.	+
H4b	Living and working environment's effect on the loyalty of FDI investors.	+
H5a	Local brand's effect on the satisfaction of FDI investors.	+
H5b	Local brand's influence on the loyalty of FDI investors.	+
H6a	Quality of public services' impact on the satisfaction of FDI investors.	+
H6b	Quality of public services' effect on the loyalty of FDI investors.	+
H7a	Competitiveness advantage of the industry invested in locally and its impact on the satisfaction of FDI investors.	+
H7b	Competitiveness advantage of the industry invested in locally and its influence on the loyalty of FDI investors.	+
H8a	Input cost competitiveness impacts the satisfaction of FDI investors.	−
H8b	Input cost competitiveness impacts the loyalty of FDI investors.	−
H9	Satisfaction has an impact on the loyalty of foreign investors.	+

Source: Proposed by the authors.
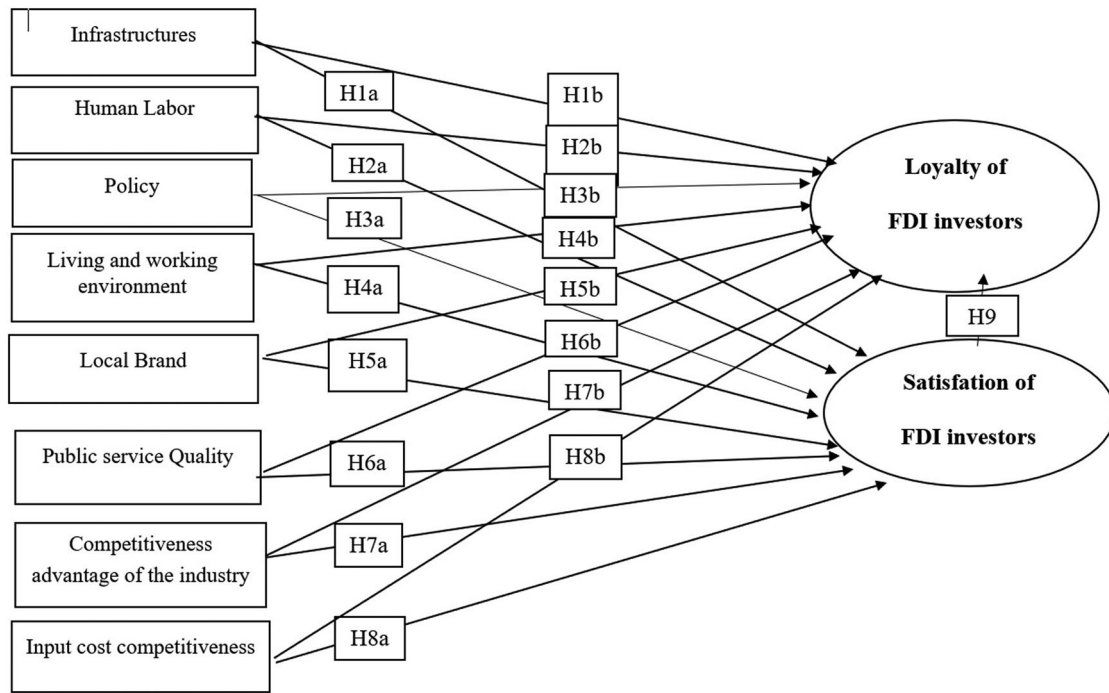
Figure 1. Research model.

size (314 observations) aligns appropriately with a research design employing factor analysis (minimum 220 which is determined by the formula: $n = k \sum_{j=1}^{m} Pj$, where $k = 5$ or 10 contingent upon survey resources, Pj represents the observed variables within the scale, and m denotes the range of scales from 1 to m— considering a research framework comprising 10 scales and 44 observed variables, opting for $k = 5$, $n = 5*44 = 220$ the minimum threshold).

4. Research results

4.1. Reliability

Corrected Item-Total Correlation greater than 0.3 and a Cronbach's Alpha coefficient exceeding 0.6 is essential to ensure the reliability of the scale (Nunnally & Bernstein, 1994).

In this study, after eliminating several indicators that did not meet reliability criteria (HUM5, COS4, SAT5), all remaining observed variables exhibited a Corrected Item-Total Correlation greater than 0.3. Additionally, the Cronbach's Alpha coefficients for all scales surpassed 0.6 in Table 3, ensuring the reliability of the scale.

4.2. EFA

Bryant and Yarnold (1995) define factor rotation as a process where observed variables are rotated along axes to yield a simpler factor structure. Simplicity in structure implies that the observed variables are rotated to a point where each variable loads heavily on one factor and loads very weakly on the remaining factors. A high loading coefficient (strong loading) on one factor for an observed variable indicates that the variable effectively reflects the characteristics of that factor, while a low loading coefficient (weak loading) on other factors suggests a minimal relationship between the observed variable and those factors.

Following the initial factor rotation, the author proceeded to remove the variables SER6 and CON4 due to their loading coefficients being less than 0.55, subsequently, a second-factor rotation was conducted. The result of the second run is in Table 4.

Table 2. Scale of research.

Code	Content	Sources
Infrastructure (CON)		
CON1	Convenient transportation infrastructure for production and business	T. D. Nguyen et al. (2005), H. P.
CON 2	Electrical system to meet production and business requirements	Dinh and Ha (2011), and P.
CON 3	The water supply and drainage system meets the technical standards for production and business	H. Dinh (2011)
CON 4	Convenient communication infrastructure (telephone, internet, etc.)	
CON 5	The financial banking system is developed, meeting the requirements for business activities	
CON 6	Business premises are available and stable	
Human resources (HUM)		
HUM1	The abundant source of unskilled labor	T. D. Nguyen et al. (2005),
HUM2	Highly disciplined labor	Dunning, (1997), and Kotler
HUM3	Easily recruit highly skilled management personnel in the locality	et al. (2002)
HUM4	Labor has a good ability to absorb and apply technology	
HUM5	Local training institutions are capable of meeting the human resource needs of investors	
HUM6	Labors' foreign language skills meet job requirements	
Policy (POL)		
POL1	The locality has attractive investment incentives	T. D. Nguyen et al. (2005),
POL2	The locality has a long-term strategy and orientation in attracting investment	Romer (1986), Malesky et al. (2015), and Ha et al.
POL3	The locality has active government leaders in supporting investors	(2015)
POL4	The locality has a transparent and synchronous investment policy	
Living and working environment (ENV)		
ENV1	The locality has a school system that meets the needs of workers	T. D. Nguyen et al. (2005) and
ENV2	The locality has a health system that can meet the healthcare needs of workers	A. N. Nguyen and Nguyen (2007)
ENV3	The locality with a 'green' living environment	
ENV4	The locality has friendly people, creating favorable conditions for production and business activities	
ENV5	The locality has a reasonable cost of living	
Local brand (LOC)		
LOC1	The locality has an 'impressive' brand	T. T. M. Nguyen (2016), A. N.
LOC2	The locality is the destination of many investors	Nguyen, and Nguyen (2007)
LOC3	Many investors have been successful here	
LOC4	Investors implement projects because they want to contribute to the local economic development	
Public service quality (SER)		
SER1	Simple and fast administrative procedures	Romer (1986) and Gronroos
SER2	public administrative officers have good qualifications, skills, and service attitude	(1984)
SER3	Local state agencies are ready to support investors when needed, and investors' questions are always answered satisfactorily	
SER4	Investment promotion, trade and tourism agency (IPA) provides good support for investors	
SER5	Investors can easily access local information and documents	
SER6	The coordination among state management agencies is harmonious and fast	
Investment industry advantage (ADV)		
ADV1	The main materials for production and trading are available and abundant	Ha et al. (2015)
ADV 2	Local is the main consumption market	
ADV 3	Near business parties (main distributors or suppliers)	
ADV 4	The local support industry thrives	
Competitive input cost (COS)		
COS1	The locality has a great advantage in terms of labor costs	Dunning (1997), A. N. Nguyen
COS2	Rental costs are reasonable	and Nguyen (2007), T. D.
COS3	The cost of electricity, water, transportation, and telecommunications are reasonable	Nguyen et al. (2005), and Ha et al. (2015)
COS4	Low input costs for production and business	
Satisfaction (SAT)		
SAT1	I am very satisfied to invest in the locality	T. T. M. Nguyen (2016), Kotler
SAT 2	The locality met our expectations	and Keller (2006), and H. P.
SAT 3	I will continue to invest in the local long-term	Dinh and Ha (2011)
SAT 4	I think our revenue has/will grow as expected	
SAT 5	I think our profit has/will be as expected	
Loyalty (LOY)		
LOY1	I always think of investing in the locality whenever there is a need	Jones and Sasser (1995) and P.
LOY2	I will re-invest in the local	H. Dinh (2011)
LOY3	I will recommend the locality to other investors	

Source: Complied from the authors.

Table 3. Results of Cronbach' alpha coefficient of the scale.

Code	Content	Corrected item-total correlation	Cronbach's alpha
Infrastructure			
CON1	Convenient transportation infrastructure for production and business	.639	.838
CON 2	Electrical system to meet production and business requirements	.631	
CON 3	The water supply and drainage system meets the technical standards for production and business	.690	
CON 4	Convenient communication infrastructure (telephone, internet, etc.)	.501	
CON 5	The financial banking system is developed, meeting the requirements for business activities	.624	
CON 6	Business premises are available and stable	.620	
Human resources			
HUM1	Abundant source of unskilled labor	.616	.756
HUM2	Highly disciplined labor	.532	
HUM3	Easily recruit highly skilled management personnel in locality	.561	
HUM4	Labor has good ability to absorb and apply technology	.611	
HUM5	Local training institutions are capable of meeting the human resource needs of investors	.156	
HUM6	Labor' foreign language skills meets job requirements	.549	
Policy			
POL1	The locality has attractive investment incentives	.605	.814
POL2	The locality has a long-term strategy and orientation in attracting investment	.645	
POL3	The locality has active government leaders in supporting investors	.649	
POL4	The locality has a transparent and synchronous investment policy	.636	
Living and working environment			
ENV1	The locality has a school system that meets the needs of workers	.879	.886
ENV2	The locality has a health system that can meet the healthcare needs of workers	.842	
ENV3	The locality with a 'green' living environment	.865	
ENV4	The locality has friendly people, creating favorable conditions for production and business activities	.864	
ENV5	The locality has a reasonable cost of living	.856	
Local brand			
LOC1	The locality has an 'impressive' brand	.649	.814
LOC2	The locality is the destination of many investors	.645	
LOC3	Many investors have been successful here	.671	
LOC4	Investors implement projects because they want to contribute to the local economic development	.582	
Public service quality			
SER1	Simple and fast administrative procedures	.647	.848
SER2	public administrative officers have good qualifications, skills, and service attitude	.641	
SER3	Local state agencies are ready to support investors when needed, and investors' questions are always answered satisfactorily	.644	
SER4	Investment promotion, trade and tourism agencies provides good support for investors	.645	
SER5	Investors can easily access local information and documents	.681	
SER6	The coordination among state management agencies is harmonious and fast	.528	
Investment industry advantage			
ADV1	The main materials for production and trading are available and abundant	.629	.821
ADV 2	Local is the main consumption market	.630	
ADV 3	Near business parties (main distributors or suppliers)	.665	
ADV 4	The local support industry thrives	.652	
Competitive input cost			
COS1	The locality has a great advantage in terms of labor costs	.573	.694
COS2	Rental costs are reasonable	.623	
COS3	The cost of electricity, water, transportation, and telecommunications are reasonable	.585	
COS4	Low input costs for production and business	.208	
Satisfactions			
SAT1	I am very satisfied to invest in the locality	.579	.722
SAT 2	The locality met our expectations	.718	
SAT 3	I will continue to invest in the local long-term	.651	
SAT 4	I think our revenue has/will grow as expected	.653	
SAT 5	I think our profit has/will be as expected	.067	
Loyalty			
LOY1	I always think of investing in the locality whenever there is a need	.665	.820
LOY2	I will re-invest in the local	.661	
LOY3	I will recommend the locality to other investors	.696	

Source: Extract from SPSS 26.

Table 4. Results of factor analysis of the scale of components.

	Factor									
	1	2	3	4	5	6	7	8	9	10
ENV2	.897									
ENV5	.853									
ENV4	.798									
ENV3	.753									
ENV1	.659									
SER3		.745								
SER2		.735								
SER4		.728								
SER1		.708								
SER5		.699								
CON3			.797							
CON1			.717							
CON6			.701							
CON5			.670							
CON2			.634							
HUM1				.817						
HUM4				.731						
HUM2				.673						
HUM3				.652						
HUM6				.591						
ADV3					.784					
ADV1					.733					
ADV4					.728					
ADV2					.718					
LOC3						.765				
LOC1						.740				
LOC2						.730				
LOC4						.668				
POL4							.728			
POL3							.723			
POL1							.682			
POL2							.650			
COS1								.828		
COS2								.744		
COS3								.715		
SAT2									0.879	
SAT4									0.819	
SAT3									0.762	
SAT1									0.71	
LOY1										.838
LOY2										.782
LOY3										.779

		Model	SAT	LOY
Eigenvalues		1.428	2.884	2.279
% of variance		54.665	63.204	64.049
KMO		.830	.750	.726
Bartlett's test of sphericity	Approx. chi-square	5224.020	693.872	380.935
	df	666	6	3
	Sig.	.000	.000	.000

Source: extracted from SPSS 26.

The Kaiser–Meyer–Olkin (KMO) measure is an index used to assess the suitability of factor analysis. A KMO value must be 0.5 or higher ($0.5 \leq KMO \leq 1$) for factor analysis to be considered appropriate. If this value falls below 0.5, factor analysis might be deemed unsuitable for the research dataset.

4.3. CFA

The CFA result is shown in Figure 2. The results indicate that all Model Fit indexes fall within acceptable ranges. Specifically: p value $<.05$, due to a small sample size, while other metrics are suitable. CMIN/DF $= 1.363 < 5$; CFI $= 0.951 > 0.9$; TLI $= 0.946 > 0.9$; RMSEA $= 0.034 < 0.05$. According to Hu and Bentler (1999), the model fits the data.

4.4. SEM

Results from the SEM model, which is shown in Figure 3, assess the fit of the integrated model. The data analysis reveals a p value $<.05$, attributed to the small sample size, while other metrics are appropriate.
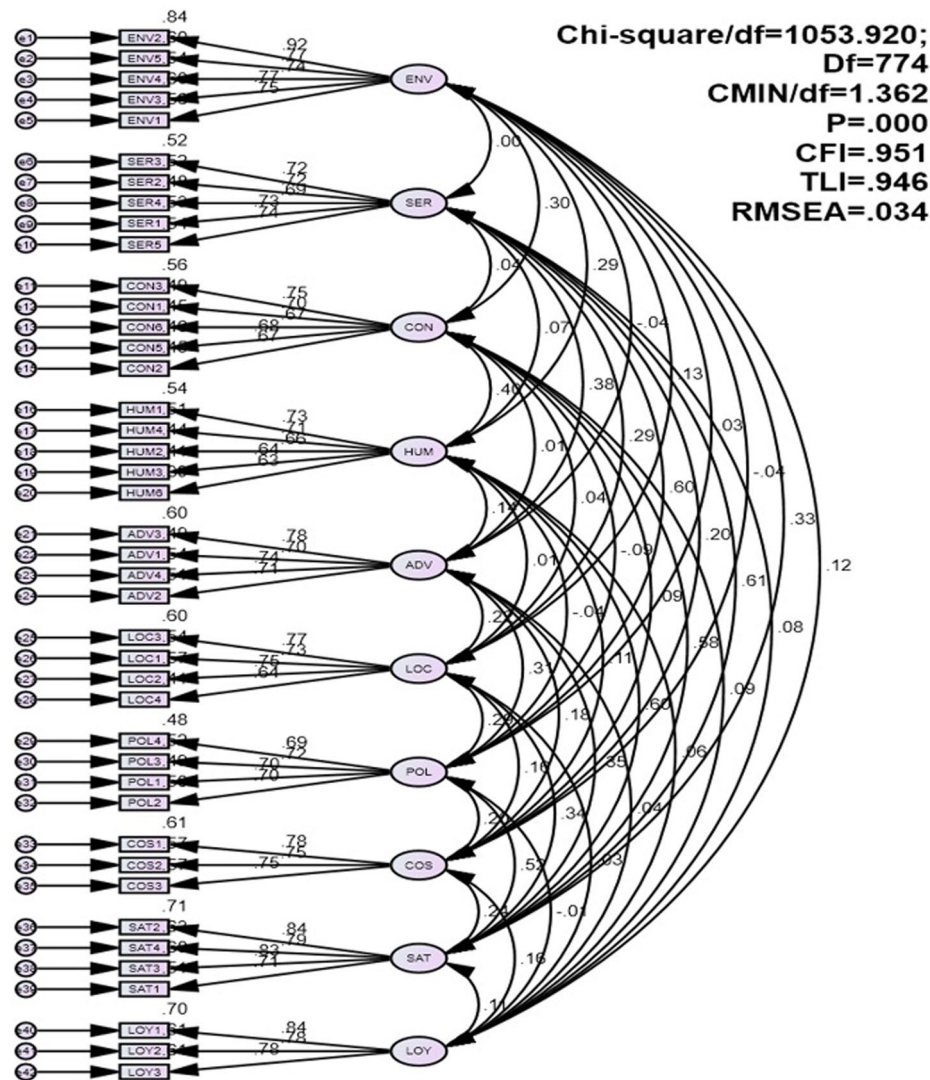
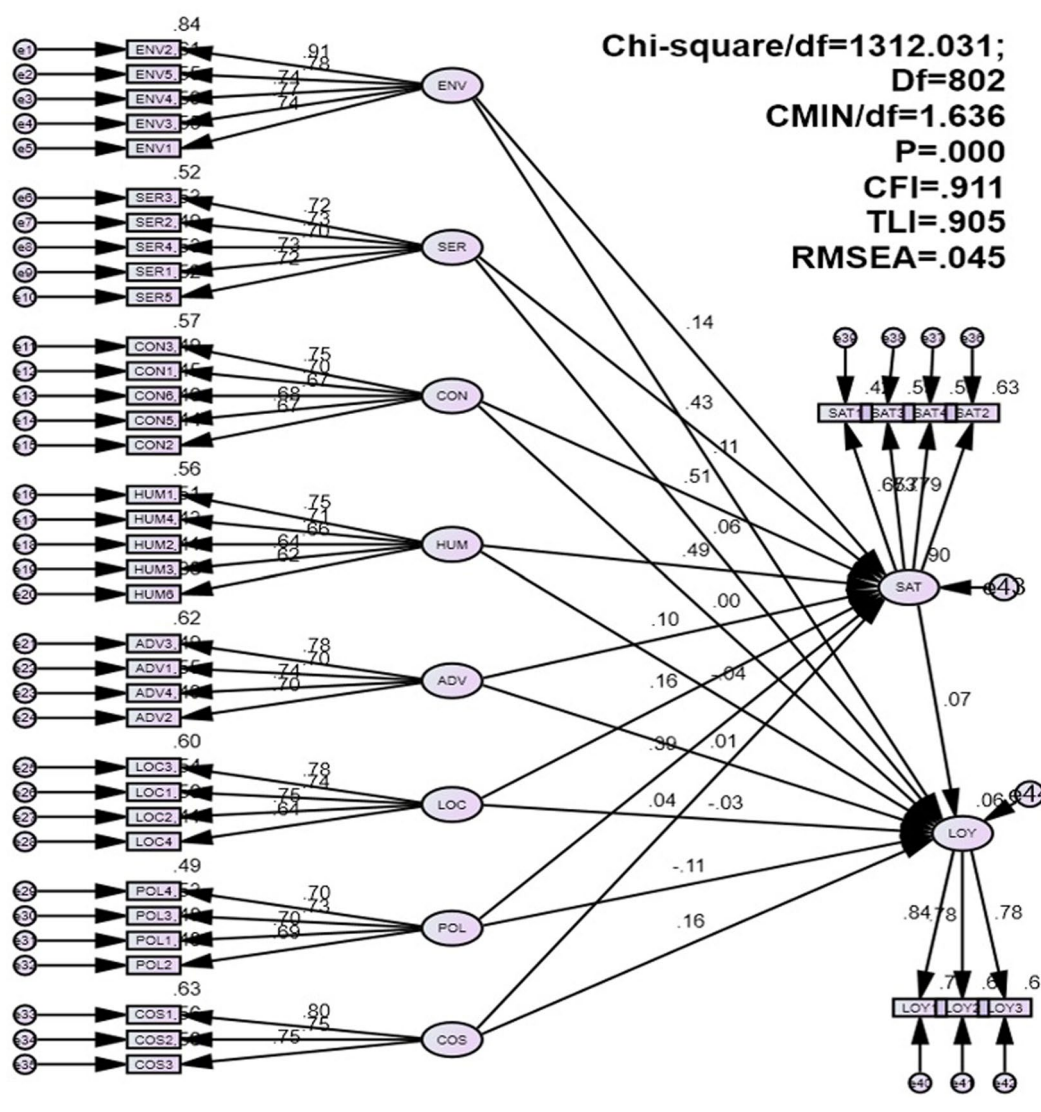**Figure 2.** CFA result. *Source:* extracted from SPSS 26.

CMIN/DF = 1.636 < 5; CFI = 0.911 > 0.9; TLI = 0.905 > 0.9; RMSEA = 0.045 < 0.05. According to Hu and Bentler (1999), all Model Fit indices fall within acceptable ranges. The integrated model aligns well with the empirical data.

4.5. Regression model

In Table 5, variables CON, HUM, POL, ENV, LOC, SER, and ADV exhibit a positive significant impact on SAT, indicated by statistical significance (*p* value <.05). Variable COS displays a positive significant impact on LOY (*p* value <.05). Hypotheses H8a, H1b, H2b, H3b, H4b, H5b, H6b, H7b, H8b, and H9 are rejected (*p* value >.05). The extent of the impact on SAT is illustrated in Table 6.

5. Discussion

Hypothesis H1a has been accepted with a probability of *p* = .000, demonstrating statistical significance below the 5% threshold. The regression coefficient of 0.339 signifies that Infrastructure significantly influences the satisfaction of FDI investors in Nghe An province. This finding is in accordance with prior studies conducted by Akinci and Crittle (2008) and H. P. Dinh and Ha (2011).

Figure 3. SEM results. *Source:* extracted from AMOS 26.

Similarly, Hypothesis H2a has been accepted with a probability of *p* = .000, indicating statistical significance below the 5% level. The regression coefficient of 0.341 suggests that Human Labor exerts a positive influence on the satisfaction of FDI investors in Nghe An province. This result resonates with research conducted by Begg et al. (2007), P. H. Dinh (2012), Dunning (1997), and Kotler et al. (2002). Nonetheless, studies are contradicting this, suggesting that human resources might not directly impact investor satisfaction.

Hypothesis H3a has been accepted with a probability of *p* = .000, which is less than the 5% significance level. The regression coefficient of 0.245 indicates that Policies positively impact the satisfaction of FDI investors in Nghe An province. This research outcome aligns with the studies conducted by Dunning (1997), Kotler et al. (2002), and Ha et al. (2015)

Hypothesis H4a has been accepted with a probability of *p* = .000, demonstrating significance below the 5% level. The regression coefficient of 0.058 suggests that the Living and working environment similarly influences the satisfaction of foreign investors in Nghe An province. This result corresponds with studies by Hoang and Le (2021) and V. S. M. Le et al. (2023). However, there are also studies, such as that of T. T. M. Nguyen (2016), suggesting that the living and working environment may not significantly impact investor satisfaction.

Hypothesis H5a has been accepted with a probability of *p* = .000, demonstrating significance below the 5% level. The regression coefficient of 0.097 indicates that the Local brand influences the satisfaction

Table 5. Model regression.

			Estimate	S.E	C.R	p	Hypotheses	Conclusion
SAT	←-	CON	0.339	0.036	9.465	***	H1a	Accepted
SAT	←-	HUM	0.341	0.037	9.155	***	H2a	Accepted
SAT	←-	POL	0.245	0.033	7.514	***	H3a	Accepted
SAT	←-	ENV	0.058	0.017	3.373	***	H4a	Accepted
SAT	←-	LOC	0.097	0.027	3.63	***	H5a	Accepted
SAT	←-	SER	0.317	0.037	8.47	***	H6a	Accepted
SAT	←-	ADV	0.057	0.025	2.245	.025	H7a	Accepted
SAT	←-	COS	0.027	0.026	1.053	.292	H8a	Rejected
LOY	←-	CON	−0.001	0.276	−0.005	.996	H1b	Rejected
LOY	←-	HUM	−0.046	0.28	−0.166	.869	H2b	Rejected
LOY	←-	POL	−0.122	0.207	−0.586	.558	H3b	Rejected
LOY	←-	ENV	0.082	0.065	1.251	.211	H4b	Rejected
LOY	←-	LOC	−0.03	0.105	−0.287	.774	H5b	Rejected
LOY	←-	SER	0.078	0.261	0.298	.766	H6b	Rejected
LOY	←-	ADV	0.01	0.083	0.125	.9	H7b	Rejected
LOY	←-	COS	0.168	0.076	2.205	.027	H8b	Accepted
LOY	←-	SAT	0.128	0.752	0.17	.865	H9	Rejected

***.0000 (Source: extract from SPSS 26).

Table 6. Influential positions of factors.

	Relationship		Estimate	%	Position
SAT	←-	ENV	0.058	3.99%	6
SAT	←-	SER	0.317	21.80%	3
SAT	←-	CON	0.339	23.31%	2
SAT	←-	HUM	0.341	23.45%	1
SAT	←-	ADV	0.057	3.92%	7
SAT	←-	LOC	0.097	6.67%	5
SAT	←-	POL	0.245	16.85%	4
			1.454	100.00%	

Source: extracted from SPSS 26.

of FDI investors in Nghe An province. Studies by T. T. M. Nguyen (2016) and Hoang and Le (2021) also support the idea that the local brand image is an attractive factor for FDI investors. However, H. H. B. Le (2015) contends that there is insufficient evidence to prove that the local brand image significantly influences the decisions of foreign investors.

Hypothesis H6a has been accepted with a probability of $p = .000$, signifying significance below the 5% level. The regression coefficient of 0.317 reveals that public service quality similarly impacts the satisfaction of FDI investors in Nghe An province. Studies by Malesky et al. (2009), Barro and Sala-I (1997), and M. T. Nguyen (2010) all assert that public services and government support are crucial factors influencing the satisfaction of FDI investors.

Hypothesis H7a has been accepted with a probability of $p = .027$, indicating significance below the 5% level. The regression coefficient of 0.057 suggests that the competitive input cost positively influences the satisfaction of FDI investors in Nghe An province. Hoang and Le (2021) argued that the local industry's advantage does not affect investor satisfaction. Conversely, the studies by Ha et al. (2015) indicated that the local industry advantage does influence investor satisfaction, aligning with the findings of this research.

Hypothesis H8b has been accepted with a probability of $p = .0025$, demonstrating significance below the 5% level. The regression coefficient of 0.168 indicates that competitive input costs impact the loyalty of FDI investors in Nghe An province. When rental costs are reasonable and overall production and operational expenses, labor costs, and associated expenditures are low, it serves as a foundation for FDI investors to undertake long-term projects in the locality and attract further investment into Nghe An province.

6. Conclusion and implication

According to the established research framework, six key elements have been identified as impacting the satisfaction of FDI investors in Nghe An province, ranked by their level of importance: Human capital, infrastructure, public service quality, policies, local branding, living and working conditions, and the

regional advantages. In terms of influencing FDI investor loyalty, input costs are considered the decisive factor. These findings present crucial empirical evidence for administrators and local authorities to elevate both the satisfaction levels and loyalty of FDI investors in Nghe An province.

After evaluating the state of collaboration and analyzing the research outcomes, it is essential to focus on implementing the subsequent strategies in order to enhance the satisfaction and loyalty of FDI investors in Nghe An province as follows:

- Improving the quality of the labor force is crucial for fostering satisfaction among FDI investors. Nghe An province needs to enhance its educational system, spanning from primary to intermediate, vocational, and tertiary education, in order to generate an abundant labor force in both scale and educational quality. This involves cultivating a well-trained labor force with practical skills, high discipline, adaptability to modern technologies, and a strong work ethic. In terms of managerial personnel, policies should be implemented to attract and provide foreign investors with proficient management professionals. Local educational institutions must collaborate and forecast to train workers capable of meeting investors' demands in terms of knowledge, skills, attitudes, and language proficiency.
- Upgrade the infrastructure system: The infrastructure encompassing waterway, roadway, aviation, and communication systems (telecommunications, internet, etc.) as well as the power grid must be constructed cohesively, adhering to proper design and planning. Local authorities need to adhere strictly to commitments regarding infrastructure planning, design, and synchronization to create favorable conditions for investors. In cases of projects that violate planning regulations or fail to adhere to the specified design, thereby affecting the overall development of the infrastructure system, decisive measures of cancellation should be taken. Allocating state budgets to invest in pivotal infrastructure projects that steer collective societal activities is essential.

6.1. Improve the quality of public services

Simplify administrative procedures, ensure quickness and efficiency. Train a cadre of civil servants with competency, skills, and a service-oriented attitude toward FDI investors. Authorities should be ready to assist investors whenever necessary, addressing their concerns promptly and appropriately. Investment promotion, trade, and tourism centers must effectively support investors in accessing local information and documentation.

6.2. Implement favorable incentive policies for FDI investors

The locality needs to implement attractive investment incentive policies regarding taxes, finance, and labor to entice FDI investors. Review and categorize sectors based on priority for development, non-priority sectors, and restricted sectors to attract suitable investments. Focus on policies favoring innovative enterprises, startups, and environmentally friendly businesses, aligned with the scientific and technological revolution, and invest in transparent, cohesive, reliable, and fair policies. The locality should possess a long-term strategy and orientation in attracting foreign investment, with proactive leadership supporting investors.

6.3. Strengthen the local brand

Develop a distinctive local brand as the homeland of President 'Ho Chi Minh', attracting numerous successful FDI investors. Promote Nghe An's image worldwide through various media, social networks, festivals, events, and sports, appealing to foreign investors.

6.4. Enhance the living and working environment

The learning and working environment must meet the needs of employees and investors. The healthcare system should cater to healthcare needs and foster a 'green' living environment. The local government's

friendly atmosphere and facilitation of production and business activities will further attract foreign investors. Foreign investors need to be provided with the best living environment to confidently conduct production and business activities in the locality.

6.5. Leverage the locality's advantages

Develop a system of supporting industries and leverage available local resources. With a population of over 3.5 million in Nghệ An province and its position in the North Central Coast region, this constitutes a significant market for foreign investors. Establish regional linkages, and connect sectors within the region and nationwide in terms of product systems, facilitating foreign investors in production and business activities.

6.6. Enhance the loyalty of investors

To encourage foreign investors to invest in Nghe An province and consider returning or recommending others, it is essential to ensure competitive labor costs and reasonable input costs for local production factors such as electricity, water, transportation, or affordable rental expenses. Implementing these coherent solutions will enhance the loyalty of foreign investors to Nghệ An province.

Ethics approval

This study is approved to waive Ethics from the Research Ethics Committee of Vinh University.

Author contributions

Responsibility	Authors
Conception or design of the work	Thanh Cuong Dang, Thi Thao Banh
Collecting, analyzing, and interpreting data	Thi Hang Trinh, Van Hao Tran, Thi Thu Cuc Nguyen, Thi Thao Banh
Drafting of the paper	All authors
Revising it critically for intellectual content	Thanh Cuong Dang, Thi Thao Banh, Thi Thu Cuc Nguyen
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No potential conflict of interest was reported by the author(s).

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Data availability statement

Data for this work includes questionnaires and responses from respondents who are managers at FDI enterprises in Nghe An province. We agree to make data and materials supporting the results or analyses presented in our paper available upon reasonable request via email of the first author: dangthanhcuongktdhv@gmail.com.

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