Editorial

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Biographical notes: Xuan Vinh Vo is currently an Associate Professor of Finance at the School of Banking, University of Economics Ho Chi Minh City (UEH). He is also the Program Manager of the Master in Banking and Finance at CFVG Ho Chi Minh City. He has published his research in many international journals including *Research in International Business and Finance*, *Applied Economics*, *Applied Financial Economics*, *Emerging Markets Finance and Trade*, *Global Finance Journal* and *International Review of Financial Analysis*.

Kevin Daly's research passion revolves around applied finance and open economy macroeconomics, researching the effects of financial volatility on real economic activity. His related research publications have investigated the sustainability of foreign direct investment, Australia's portfolio investment, emerging markets financial development, global financial integration, finance and poverty, and banking in emerging markets. Since joining UWS, he has published over 80 research papers in books, book chapters and refereed professional journal articles. Since 1997, he has supervised 20 PhD students to completion, along with five Masters and honours candidates.

1 Introduction

Emerging markets were affected differently in the early stage of the 2008 global financial crisis when the flight to quality was toward developed countries. This phenomenon has encouraged the emerging countries in reaching more developed financial markets to the global standard. This special issue of the *Afro-Asian Journal of Finance and Accounting*

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aims to contribute to the literature by painting a more complete picture of the recent developments in the Vietnamese financial landscape from different perspectives.

Vietnam has been in the process of great Doi Moi economic reform since the mid 1980s with substantial changes in economic policies. An important aspect of the comprehensive reform is the transformation of the financial system and the development of the financial sector. This highlights the need to cover different aspects of constant and rapid changes in financial markets and financial system of Vietnam.

2 Recent financial development in Vietnam

Vietnam financial market development has an been important topic in recent years owing to its nature. This has attracted huge attention and drawn strong interest from different stakeholders investing in the market. To document this important development, in the first article of this special issue, Xuan Vinh Vo reviews and highlights some key recent financial developments in Vietnam. This article shows that there is a huge improvement in the Vietnam financial system in the last decades; however, there remains a lot to be done to achieve the full international standard. It is evident that the Vietnam financial market has been becoming more integrated into the global market in recent years. The integration poses various challenges for the current institutional and legal framework in the financial system. This article focuses on reviewing the development of the banking system and stock market in Vietnam.

Mohammed Elgammal and Mohamed Eissa investigate the key determinants of inflation in Vietnam for a period of ten years (2000 to 2011) using explanatory variables including past inflation, real income, money supply, exchange rate, interest rate and world oil price. This study uses the vector error correction model to investigate the relationships among inflation and the above variables. They report a significant relationship among inflation and three variables, past inflation, real income and exchange rate. Moreover, the past inflation variable plays the most important role in explaining the current inflation in Vietnam. The exchange rate pass through is found to have a remarkable influence on inflation in the short run; in particular, a reduction in exchange rate will lead to higher prices. Further, this study states that real income has a negative and small impact relationship with inflation, while the other explanatory variables have insignificant impact on inflation.

Nguyen Khac Quoc Bao, Nguyen Huu Huy Nhut and Nguyen Dinh Tri examine the transfer pricing in Vietnam. Transfer pricing or the manipulation of transfer prices is to set the price of intra-firm transactions different from market prices in order to shift incomes from high-tax locations to low-tax ones. Hence, a multinational corporation can decrease its global tax burden. This paper uses the model of transfer pricing incentive of Swenson (2001) and the generalised method of moments (GMM) to consider the effect of income tax rate and tariff rates on the setting of transfer prices in ten commodity groups of multinationals operating in Vietnam from 2008 to 2013. The study reports a positive correlation between changes of transfer pricing incentives and changes of reported transfer prices. Furthermore, the findings also show that when the Vietnamese income tax rate increases, the income tax rate in the headquarters country of parent firms decreases, or when the Vietnamese tariff rate decreases, the level of reported transfer prices of imports from the parent firm to its affiliates in Vietnam increases, for the majority of investigated commodity groups (except motor vehicles).

Ha Thi Thieu Dao, Nguyen Thi Mai and Nguyen Thien Kim state that the growing prospect of a SME highly depends on its potential to invest in restructuring and innovating, which in turn, needs capital. Accessibility to financial resources, therefore, becomes a significant factor in the growth of a SME as well as economic growth in developing countries. They investigate determinants of credit accessibility of SMEs in Vietnam employing a logit model on a sample of 756 SMEs in Vietnam. Also, a semi-structured questionnaire is used to investigate the causes of the lack of connections between SMEs and banks in Ben Tre province. Results of this paper suggest that the factors that will increase the probability of credit accessibility of SMEs include education of the enterprises managers, collaterals and asset values of enterprises, loans of enterprises taken from the Vietnam Bank for Social Policies (VBSP), state banks or even private banks, and the differences between enterprises and credit institutions. Finally, a number of recommendations are introduced to promote the credit accessibility of SMEs, such as providing unsecured loans and cooperating loans, improving the roles of State Banks of Vietnam, and decreasing the regional differences.

Quoc Hoi Le's paper concerns the foreign direct investment and macroeconomic instability in Vietnam. This study indicates that foreign direct investment (FDI) into real estate in Vietnam has been constantly increasing and is becoming the most attractive business area for foreign investors in recent years. Beside positive impacts, such as augmenting capital resources and improving socio-economic infrastructure, this paper shows that FDI into real estate in Vietnam contributes to the derivation of macroeconomic instabilities, such as raising inflation, and causing instability in the exchange rate, payment balance, and the banking system. That reality requires the government to implement solutions relating to strengthening the control of FDI inflows into real estate, monitoring real estate credit risks, and directing FDI inflow into relevant business areas, both to use the capital effectively and to avoid causing macroeconomic instability.

All of the papers in this special issue have been selected after a very careful editorial process. Each paper was reviewed by at least two double blind referees in addition to the appraisal of the guest editors. We would like to thank all the referees who served for this issue for their valuable time and support. The constructive comments and helpful suggestions from the referees have helped to enhance the quality of the published papers.

We would like to thank Professor D.K. Malhotra for his sincere help and encouragement to make this special issue happened. We highly appreciate his quick response during the all processes of this special issue. We would like to extend our special thanks to Dick Sharp, journal manager of the *Afro-Asian Journal of Finance and Accounting*. Similarly, we are grateful to the editorial staff of the *Afro-Asian Journal of Finance and Accounting* for their attentiveness and lenience.