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The role of the private economy in contributing social capital to serve development goals in the new era

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Abstract
As Vietnam enters a new era of development—one that demands the effective mobilization and utilization of resources to drive rapid and sustainable growth—the private sector is increasingly playing a vital role in generating, supplementing, and connecting social capital. This article analyzes the development of the private sector in Vietnam, clarifying its function in mobilizing dispersed capital, expanding production capacity, contributing to state budget revenues, and bridging domestic and foreign investment. Building on this, the article proposes several strategic directions to further harness the private sector's capacity to contribute social capital. These include refining institutional frameworks, diversifying capital-mobilization channels, fostering innovation, strengthening investment linkages, and enhancing the efficiency of capital use. In doing so, the article underscores that the development of the private sector should not merely focus on increasing the scale of available resources, but also on improving the quality and effectiveness of its contributions toward the nation's development goals in this new era.

Keywords: Private sector, social capital, capital mobilization, development investment, sustainable development

Introduction

The development process of the private economic sector in Vietnam

According to the Vietnamese Dictionary, the private economy is defined as "the economic sector that is privately owned, self-invested, self-organizes production and business and is responsible for profit and loss" [1]; According to the Dictionary of Economics, private economy is defined as "an economic sector owned by individuals or organizations other than the state, in which the owners have the right to control, manage and benefit from business activities" [2].

The development of the private economic sector in Vietnam can be summarized into five stages, which are closely linked to the evolution of economic thinking, the refinement of institutional frameworks, and the expansion of freedom to conduct business. Each stage marks significant shifts in the perceptions and policies of the Party and the State regarding the position and role of the private sector within the national economy. The period before 1986 was a period when the private economy was not given adequate development conditions within the centralized, bureaucratic, and subsidized planning mechanism. Production and business activities are mainly organized according to State plans, while individual economies, small owners and other forms of private business are under strict management, not fully promoting their initiative and ability to mobilize social resources. The limitations of this economic management mechanism pose a need to innovate thinking, diversify forms of ownership and gradually recognize the role of the private economy in the country's development process.

The period 1986–1999 marked the beginning of the process of restoring and developing the private economic sector on the basis of institutional innovation. The 6th Party Congress in 1986 opened the Doi Moi process, gradually establishing the thinking of developing a multi-sector economy. Next, Decision No. 27-HDBT dated March 9, 1988 and the promulgation of the Company Law and Private Enterprise Law on December 21, 1990 contributed to creating a legal basis for private production and business activities. During this period, the private economy was gradually recognized, business autonomy was expanded and the number of business establishments increased. However, this area is still mainly small in scale, with limited financial, technological and administrative capacity, while the legal environment is not truly synchronized. However, this is the period that lays the foundation for the formation and development of the private enterprise sector in a socialist-oriented market economy.

The period from 2000 to 2014 saw a robust expansion of the private sector, driven by significant reforms to the legal framework and the business environment. The 1999 Law on Enterprise, which took effect in 2000, marked a major shift by safeguarding the freedom to conduct business, simplifying procedures for enterprise registration, and broadening investment opportunities. Subsequently, the 2005 Law on Enterprise and the 2005 Law on Investment further refined the legal framework, standardizing the fundamental regulations governing the establishment, organization, and operations of enterprises across all economic sectors. These changes served as a catalyst for a rapid increase in the number of private enterprises, the expansion of business and production activities, and a more effective mobilization of societal resources. The private sector has increasingly contributed to economic growth, job creation, and the enhancement of productive capacity. Nevertheless, the majority of these enterprises remain small or medium-sized, with limited competitiveness, restricted technological innovation, and a constrained ability to integrate into value chains alongside other businesses.

The 2014–2024 period marked an acceleration and a gradual consolidation of the private sector's position as a key driver of the economy. The enactment of the 2014 Law on Enterprises and the 2014 Law on Investment - followed by the 2020 Law on Enterprises and the 2020 Law on

Investment - further refined the legal framework, improved the investment and business climate, and fostered more favorable conditions for enterprise development. Notably, Resolution No. 10-NQ/TW, adopted on June 3, 2017, by the Fifth Plenum of the 12th Party Central Committee, affirmed the private sector as an important engine of the socialist-oriented market economy. This milestone reflected an evolution in the understanding of the sector's role, while also mandating the removal of barriers, the safeguarding of the freedom to conduct business, and the creation of a level playing field. Consequently, the private sector has expanded in scale, diversified its fields of operation, and seen the emergence of enterprises with greater competitive capacity. Nevertheless, challenges - such as limitations in capital, the quality of human resources, labor productivity, access to resources, and the capacity to participate in value chains - remain issues that require ongoing attention and resolution.

From 2025 onwards, the private economic sector has entered a new phase of development, characterized by breakthrough orientations in institutional frameworks, science and technology, innovation, international integration, and the refinement of legal systems. This transition is anchored by four key resolutions - often referred to as the four pillars of development: Resolution No. 57-NQ/TW (dated December 22, 2024) on breakthroughs in science, technology, innovation, and national digital transformation; Resolution No. 59-NQ/TW (dated January 24, 2025) on international integration in the new context; Resolution No. 66-NQ/TW (dated April 30, 2025) on reforming the processes of law-making and legal implementation; and Resolution No. 68-NQ/TW (dated May 4, 2025) on the development of the private economic sector. Among these, Resolution No. 68-NQ/TW holds direct significance, affirming the private sector as one of the most vital drivers of the national economy, while emphasizing the need for its rapid, sustainable, efficient, and high-quality development. The policy focus extends beyond merely increasing the number of enterprises; it aims to substantively improve the business environment, safeguard property rights and the freedom to conduct business, enhance governance capacity, foster technological innovation, and strengthen the sector's ability to participate in both domestic and global value chains. The synergy between these orientations - covering science and technology, international integration, legal refinement, and private sector development - establishes a foundation for transforming the growth model and boosting the productivity and competitiveness of the Vietnamese economy.

The role of the private sector in contributing to social capital resources

First, the private economic sector contributes to mobilizing and concentrating dispersed capital from across society - such as personal savings, accumulated assets, and the profits of individuals, households, and businesses - into production and business activities. By leveraging its own capital alongside access to various financing channels - including bank credit, the stock market, and investment partnerships - this sector transforms financial resources into development capital. This, in turn, helps expand production, create jobs, and generate added value for the economy. According to the General Statistics Office (under the Ministry of Finance), total realized social investment for the first nine months of 2026, measured at current prices, is estimated at 3,109.6 trillion VND. Of this, the non-state sector accounts for 1,649.2 trillion VND, representing a 14% increase [3]. This result highlights the significant role of non-state capital in development investment, although the scope of these statistics does not perfectly align with the private economic sector. Therefore, refining the business environment, diversifying capital-raising channels, and improving access to credit will help to further enhance the role of the private sector in mobilizing societal resources.

Second, the private sector makes direct investments to expand the economy’s production and business capacity, as well as its physical infrastructure. Through the investment activities of enterprises and business households, the private sector directly contributes capital toward the construction of facilities, the procurement of machinery, technological innovation, the development of distribution networks, and the expansion of production scale. This capital fosters the creation of new production capacity, enhances the supply of goods and services, and drives structural economic transformation. In particular, private investment in sectors such as manufacturing and processing, construction, commerce, services, and technology helps build additional production capacity, meeting domestic market demand while expanding export operations. According to the General Statistics Office (under the Ministry of Finance), total realized social investment for the first nine months of 2026 is estimated at 3,109.6 trillion VND -an increase of 15.1% compared to the same period in the previous year, surpassing the 11.6% growth rate recorded in 2025. In terms of composition, the non-state sector continues to play a leading role, accounting for 1,649.2 trillion VND - or 53% of the total capital - representing a 14% increase over the same period last year [4].

Third, the private sector contributes additional financial resources to the state budget through its production and business activities. The private sector contributes to increasing state budget revenue through taxes, fees, and financial obligations arising from production and business activities. As enterprises expand their scale, boost revenue and profits, and increase employment, state budget revenue has the potential to grow, providing the government with additional resources to invest in infrastructure, education, healthcare, social welfare, and national development programs. Furthermore, the growth of the formal private business sector helps broaden the tax base and enhances both transparency and efficiency in public financial management. Resolution 68 of the Politburo on the development of the private sector notes: "After nearly 40 years of reform, the private sector in our country has gradually developed in both quantity and quality, becoming a key driver of the socialist-oriented market economy. Currently, the private sector comprises over 940,000 enterprises and more than 5 million business households. It contributes approximately 50% of the GDP and over 30% of total state budget revenue, while accounting for about 82% of the total workforce. It serves as a vital force in driving innovation, enhancing labor productivity, boosting national competitiveness, contributing to poverty reduction, and ensuring social stability. Many private enterprises have grown significantly, established their brands, and expanded into regional and global markets" [5]. These figures highlight the significant role of the private sector, not only in production but also in public revenue and employment.

Fourth, the private sector attracts and connects domestic investment capital with foreign investment capital. The private sector also plays a role in connecting capital sources through investment cooperation, joint ventures, production linkages, supply chain development, and participation in public-private partnership projects. Private enterprises with strong financial capacity and sound management can attract capital from banks, investment funds, the stock market, and foreign partners. Furthermore, the growth of domestic private enterprises facilitates the formation of a network of local suppliers, contractors, and partners, thereby fostering linkages between domestic investment and foreign direct investment (FDI). In the first nine months of 2026, total registered foreign investment in Vietnam reached $50.36 billion—an increase of 76.4%—while realized capital reached $21.07 billion, up 12.1% compared to the same period the previous year; both figures represent the highest levels seen in the past five years [6]**.** In the current context, the development of private enterprises with strong financial, technological, and managerial capabilities is a crucial prerequisite for enhancing the domestic economy's capacity to absorb, integrate, and derive spillover benefits from foreign direct investment (FDI).

Certain orientations for private sector development that contribute to increasing the contribution of social capital

First, refine institutional frameworks to unlock and effectively mobilize social resources. It is essential to continue improving the legal environment - ensuring transparency and stability -while safeguarding property rights, the freedom to conduct business, and fair competition. Simultaneously, efforts must be intensified to reform administrative procedures, remove barriers to investment and business operations, and bolster the confidence of enterprises and investors. By doing so, the aim is to encourage the conversion of idle capital, accumulated assets, and scattered social resources into investment capital that drives socio-economic development.

Second, diversify capital mobilization channels and enhance access to financial resources. It is essential to develop the financial market in a comprehensive manner, expanding capital-raising avenues - such as bank credit, stock markets, corporate bonds, and investment funds - while simultaneously improving access to capital for small and medium-sized enterprises (SMEs). Furthermore, it is necessary to enhance market transparency, the quality of corporate governance, and the efficiency of capital allocation. These measures will help reduce reliance on traditional funding sources, scale up investment, and better unlock the potential of the private sector to mobilize resources.

Third, direct private capital toward science, technology, innovation, and digital transformation. Given that science and technology have become key drivers of growth, it is essential to encourage private enterprises to increase investment in research and development, the application of modern technology, automation, and digital transformation. At the same time, priority should be given to attracting capital into high value-added sectors, the processing and manufacturing industry, the digital economy, and areas focused on green development. This orientation helps improve the quality of investment capital, boost labor productivity, transform growth models, and strengthen the economy's competitiveness.

Fourth, strengthen the linkages between domestic and international capital sources. It is essential to promote cooperation among private enterprises, state-owned enterprises, foreign investors, and financial institutions, while developing appropriate forms of joint ventures, partnerships, and public-private collaborations. Simultaneously, the financial, technological, and managerial capacities of domestic enterprises must be enhanced to improve their ability to receive, absorb, and facilitate the spillover effects of foreign investment. Doing so will not only expand the scale of available investment resources but also enable Vietnamese private enterprises to participate more deeply in regional and global value chains, thereby increasing the effectiveness of their integration into the international economy.

Fifth, enhance the efficiency of capital utilization in alignment with the goals of rapid and sustainable development. Alongside expanding capital mobilization capacity, it is essential to focus on strengthening governance, ensuring financial transparency, and upholding corporate accountability in the use of resources. Capital allocation should be directed toward activities that generate high added value, foster technological innovation, create sustainable employment, and protect the environment; meanwhile, it is necessary to curb fragmented or wasteful investments and mitigate risks that could compromise economic stability. Through these efforts, the quality of the private sector’s contribution to economic growth, the state budget, and the nation’s sustainable development can be improved.

In summary, the development of the private sector - in terms of its contribution to social capital - should be pursued through a comprehensive approach that integrates institutional refinement, the expansion of capital mobilization channels, the promotion of innovation, the strengthening of investment linkages, and the enhancement of capital-use efficiency. This approach aligns with the broader strategy for private sector development while simultaneously addressing requirements for legal reform, scientific and technological advancement, digital transformation, and international integration. By doing so, the private sector can more effectively fulfill its role in mobilizing, connecting, and transforming social resources into a driving force for the nation’s development in this new era.

Conclusion

The private sector is increasingly asserting its vital role in mobilizing, supplementing, and connecting social capital to support socio-economic development in Vietnam. The growth of this sector has gone hand in hand with a shift in economic thinking and the refinement of institutional frameworks, which have enabled the financial resources of individuals, households, and businesses to be channeled into investment, production, and business activities. These contributions are reflected not only in the expansion of the economy’s investment scale and productive capacity but also in the generation of state budget revenue, the creation of jobs, and the fostering of linkages between domestic and international capital.

In this new phase of development, the requirement is to shift the focus from merely mobilizing capital in terms of sheer volume toward effectively mobilizing, allocating, connecting, and utilizing capital. This necessitates a

combination of institutional refinement - ensuring a transparent and equitable investment and business environment - and the enhancement of private enterprises' financial capacity, governance, and innovation capabilities. Furthermore, it is essential to strengthen linkages among economic actors and foster the capacity to absorb and disseminate international investment capital, thereby improving the quality of the private sector’s contribution to the economy.

Thus, leveraging the role of the private sector in contributing to social capital is not only a requirement for the development of the sector itself, but also a crucial condition for better harnessing the potential and advantages of the Vietnamese economy. When resources are unlocked, connected, and utilized in an efficient and transparent manner—aligned with innovation and a commitment to sustainable development—the private sector will be better positioned to contribute actively to enhancing productivity and competitiveness, as well as to realizing the nation’s development goals in this new era.

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