

Business-government interactions during regulatory inspections: Evidence on gift-giving by foreign-invested firms in Viet Nam

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Abstract

This study examines the firm-level and home-country institutional factors associated with gift-giving during inspections among foreign-invested firms (FIFs) in Viet Nam. Using firm-level data from the Provincial Competitiveness Index (PCI) surveys conducted between 2016 and 2020, the paper investigates the determinants of this behavior, measured as a binary indicator of whether firms gave gifts to inspecting officials during annual inspections. Employing a logistic regression model, the analysis explores firm characteristics and home-country institutional factors associated with gift-giving during inspections. The study provides evidence that FIFs from OECD countries are less likely to engage in gift-giving during inspections, whereas FIFs with longer operating histories and those facing stronger informal payment norms exhibit a greater propensity for such behavior. Firms from home countries with higher CPI scores, indicating stronger institutional transparency at the country level, are also less likely to engage in gift-giving during inspections. The results highlight the importance of institutional quality and regulatory transparency in shaping business-government interactions. Our study contributes to the literature on investment climate and institutional economics by providing correlational evidence on the firm-level and institutional determinants of gift-giving during inspections. Policy implications emphasize the need to strengthen transparent regulatory frameworks, clarify acceptable interaction norms, and promote an investment environment that supports ethical and sustainable business practices.

1. Introduction

Regulatory inspections place firms in direct contact with state authority, making them a critical site for understanding how gift-giving during inspections emerges in practice. Despite this, the factors that lead firms to offer gifts to inspecting officials remain poorly understood. This paper takes up that question.

Gift-giving and informal payments to public

officials have been widely studied in the context of business-government interactions and their economic consequences (Changwathai & Dheera-aumpon, 2023; Clarke & Xu, 2004; Johnson et al., 2000; Lambsdorff & Frank, 2010; Mauro, 1995), yet their occurrence in regulatory inspection settings remains largely unexplored.

In many business environments, gift-giving is an accepted form of social etiquette. However, according to Article 2 of Law No. 56/2010/

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QH12 (National Assembly of the Socialist Republic of Vietnam, 2010), “The purpose of inspection activities is to identify shortcomings in management mechanisms, policies, and laws in order to propose remedial measures to competent state authorities; to prevent, detect, and handle violations of the law; to assist agencies, organizations, and individuals in complying with legal regulations; to promote positive factors; to contribute to enhancing the effectiveness and efficiency of state management; and to protect the interests of the State as well as the lawful rights and interests of agencies, organizations, and individuals.” Under the legal framework established by this Law, gift-giving during inspection activities raises significant compliance concerns rather than being excused as cultural practice.

Existing scholarship has approached informal business-government interactions from a range of angles, including the share of revenues devoted to informal payments (Malesky et al., 2020), effects on firm productivity (Vu et al., 2024), the delegation of such payments to third-party intermediaries (Vuong et al., 2024), and the role of social norms in shaping informal exchange behavior within the investment environment (Vuong et al., 2021). Valuable as these contributions are, they tend to abstract away from the particular institutional circumstances under which informal exchanges between firms and officials take place. Regulatory inspections are not simply another business interaction; they are moments of concentrated state authority in which officials hold direct power over a firm’s compliance standing. That asymmetry shapes the incentives and pressures firms face in ways that general informal payment frameworks are not designed to capture. Inspections represent a particularly consequential institutional setting in which compliance-related pressure creates conditions conducive to gift exchanges between firms and officials. This paper provides empirical evidence on this issue by drawing on firm-level data to examine gift-giving propensity during regulatory inspections among foreign-invested firms operating in Viet Nam.

To address this gap, we have the following major research question: What firm-level and home-country institutional factors influence the propensity of foreign-invested firms in Viet Nam to engage in gift-giving during regulatory inspections? We conduct an empirical investigation into this question using data from the Provincial Competitiveness Index (PCI) survey, which has been conducted annually by Vietnam Chamber of Commerce and Industry (VCCI). The PCI survey has a separate questionnaire for FIFs across the country, which collects rich information on the firms’ characteristics and a broad spectrum of business-related concerns related to the business and investment environment facing foreign invested firms in Viet Nam.

The paper contributes to the literature in three ways. It establishes regulatory inspections as a theoretically distinct setting for informal business-government interaction research, one that existing work has largely overlooked. It measures gift-giving as a direct behavioral outcome rather than through indirect proxies such as cost shares or productivity losses. And it generates findings with concrete relevance for inspection governance in one of Southeast Asia’s most significant destinations for foreign direct investment.

The remainder of this paper is structured as follows. Section 2 reviews the relevant literature on corporate gift-giving and informal business-government interactions. Section 3 outlines the research hypotheses and methodology. Section 4 presents our empirical findings, followed by a discussion in Section 5. Section 6 concludes with key implications and suggestions for future research.

2. Literature review and Hypothesis development

2.1. Literature review

Research on informal business-government exchanges has expanded steadily in recent years, with growing evidence that such practices generate significant costs for firms and

shape the broader institutional environment in which they operate (Castro et al., 2020; Chang-watchai & Dheera-aumpon, 2023). Three theoretical frameworks have shaped much of this work: institutional theory, organizational learning theory, and the behavioral theory of the firm. Each captures a different aspect of why firms engage in informal gift exchanges, yet none has been applied to the specific case of gift-giving during regulatory inspections-the central concern of this paper.

Institutional pressures and uncertainty: Institutional theory argues that firms bring the governance norms of their home countries with them when they expand abroad (Cuervo-Cazurra, 2006). Firms from countries with lower perceived informal payment norms tend to maintain stronger compliance standards in foreign markets; conversely, those from environments where such practices are more prevalent are more likely to replicate familiar informal practices overseas (Godinez & Liu, 2015; Duanmu, 2011; Vuong et al., 2021). The Corruption Perceptions Index published annually by Transparency International is widely used to capture this home-country dimension of institutional quality. Beyond home-country norms, host-country conditions also matter-particularly the degree of uncertainty about whether unofficial payments will actually deliver expected outcomes. Where such uncertainty is high, firms become more cautious about incurring gift-related costs with no guarantee of return (Ryvkin & Serra, 2012). Both dimensions-the normative standards imported from home and the risk embedded in the local enforcement environment-shape how firms approach gift-giving when inspectors arrive.

Organizational learning and local embeddedness: Organizational learning theory focuses on how firms develop behavioral routines through experience and exposure to their surroundings (Vuong et al., 2021). One important channel through which foreign firms learn about informal practices is their home institutional environment. Firms from OECD

countries, where anti-corruption rules are well-established and actively enforced, tend to carry strong compliance cultures into their overseas operations (Gordon & Miyake, 2001). Leadership plays a separate but related role: firms managed by local executives are more familiar with host-country relationship norms and may be more inclined to use gift exchange as a way of handling official interactions (De Jong et al., 2012; Nguyen & Rose, 2009). Over time, repeated exposure to local business conditions-through both home-country socialization and day-to-day management-can turn informal practices into ingrained organizational habits that operate without much conscious deliberation (Malesky et al., 2020). Vuong et al. (2021) document this process among foreign-invested firms in Viet Nam, though their analysis does not extend to inspection-specific behavior.

Behavioral responses to regulatory inspections: The behavioral theory of the firm holds that many organizational decisions stem from established routines rather than careful analysis of costs and benefits (Torsello & Venard, 2015). In the context of informal payments, firms that have operated in Viet Nam for many years tend to develop settled patterns of interaction with government officials, and gift-giving during inspections can become part of that routine. The more time a firm has spent navigating local regulatory encounters, the more normalized such behavior becomes within the organization. A similar logic applies to firms that already spend a notable share of their revenues on unofficial payments: sustained informal expenditure lowers internal resistance and makes gift-giving in specific situations-such as an inspection-feel like a natural extension of existing practice (Dejardin & Laurent, 2024). Larger firms add another dimension to this picture. With wider networks, greater financial resources, and more formalized ways of managing external relationships, they are better positioned to absorb the costs of gift exchange without attracting internal attention (Vuong et al., 2024). Each of these behavioral factors has received some attention

in the literature on informal payment practices, but their relevance to the inspection context specifically has not been tested.

Positioning the present study

Each of the three frameworks outlined above contributes something distinct to our understanding of gift-giving: institutional theory highlights the role of home-country norms and host-country uncertainty; organizational learning theory points to how firms internalize gift-giving practices through experience and leadership; and behavioral theory draws attention to routines, resources, and firm-level habits. What is missing from existing work is an analysis that brings these perspectives to bear on a specific, high-stakes institutional encounter—the regulatory inspection. Inspections differ from ordinary business interactions because officials hold direct authority over compliance outcomes, thereby creating forms of compliance-related pressure that existing models of informal business-government exchanges were not designed to capture. Vietnamese law reinforces this point: under Article 2 of Law No. 56/2010/QH12 (National Assembly of the Socialist Republic of Vietnam, 2010), inspections exist to detect violations and protect the rights of all parties, making gift-giving in this context a compliance concern rather than a cultural gesture. No prior study has examined what drives this behavior empirically. The hypotheses that follow are built around that gap.

2.2. Hypothesis development

OECD countries adopt strict anti-corruption regulations under the OECD Convention on Combating Bribery, which establishes clear restrictions on gift-giving practices (Cuervo-Cazurra, 2006; Gordon & Miyake, 2001; Moran, 1999). Firms originating from these countries are typically embedded in institutional environments characterized by stronger transparency standards. Consequently, firms from OECD countries are expected to be associated with a lower propensity for gift-giving during regulatory inspections. Therefore, we hypothesize the following:

Hypothesis 1: Firms from OECD countries are negatively associated with gift-giving during regulatory inspections.

Gift-giving in international business is shaped by the institutional norms of investors' home countries. Firms from countries where informal payment practices are perceived to be more prevalent are generally more familiar with such practices and therefore more likely to reproduce them abroad, while firms from more transparent institutional environments tend to avoid gift-giving because of legal and reputational concerns (Sanyal & Samanta, 2004; Godinez & Liu, 2015). Multinationals from transparent environments also experience fewer informal payment-related obstacles during market entry (Duanmu, 2011). Therefore, we hypothesize the following.

Hypothesis 2: The Corruption Perceptions Index (CPI) of investors' home countries is negatively associated with gift-giving during regulatory inspections.

Vietnam's Confucian-influenced culture emphasizes personal relationships and trust-building, often facilitated through reciprocal exchanges such as gift giving. In environments with institutional gaps, gifts can function as a means of reducing uncertainty and securing bureaucratic support (Dinh & Hilmarsson, 2020). Prior research suggests that local leadership may be associated with greater familiarity with host-country relationship norms, which could facilitate informal exchanges with officials (Nguyen & Rose, 2009; De Jong et al., 2012). Hence, we hypothesize the following:

Hypothesis 3: Firms with Vietnamese CEOs are positively associated with gift-giving during regulatory inspections.

Longer operation in Viet Nam enables firms to build enduring relationships with public officials, strengthening reciprocal expectations and increasing gift-giving behavior (Tangdenchai et al., 2023; Gauthier et al., 2021). Established firms also face more frequent legal procedures and have higher stakes in maintaining bureaucratic cooperation. As a result, they are more

frequently exposed to informal institutional norms, such as so-called “unwritten laws,” which are often regarded as routine elements of doing business rather than explicit misconduct (Steidlmeier, 1999; Torsello & Venard, 2015). Conversely, younger firms encounter fewer procedural interactions and have more limited relational networks. Therefore, the following hypothesis is proposed.

Hypothesis 4: Firms with longer operating histories in Viet Nam are positively associated with gift-giving during regulatory inspections. Perceived informal payment norms—measured as the perceived share of income that firms in the same industry typically spend on unofficial payments—reflect both relational expectations and firms’ willingness to invest in maintaining advantageous ties. More valuable gifts often symbolize stronger commitment and deeper relational importance. In environments where informal payment levels are perceived to be high, firms face stronger normative pressure to conform to such practices, including gift-giving during inspections. Higher perceived informal payment norms signal that gift-giving is an accepted practice within the local business environment, increasing the likelihood that individual firms will follow suit (Tangdenchai et al., 2023; Gauthier et al., 2021). It is worth noting that this measure captures firms’ perceptions of typical informal payment levels within their industry or province, rather than the respondent firm’s own expenditure; nonetheless, such shared perceptions reflect the broader institutional pressures that shape organizational behavior. Thus, we propose the following hypothesis.

Hypothesis 5: Perceived informal payment norms are positively associated with gift-giving during inspections.

Perceived uncertainty is proxied by respondents’ province-level assessments of how consistently firms in their province receive the expected service after making an additional payment. This variable thus reflects a perception-based contextual signal about informal

payments within the provincial environment, rather than uncertainty experienced during inspections. Prior research shows that informal payment practices increase when outcomes are predictable and decrease when uncertainty rises (Ryvkin & Serra, 2012; Vuong et al., 2024). Hence, we hypothesize the following:

Hypothesis 6: The perceived reliability of informal payments is negatively associated with gift-giving during inspections.

Firm size shapes gift-giving practices by affecting both the availability of resources and the social networks available to firms. Larger firms generally command stronger financial means, maintain more institutionalized relationships with stakeholders, and operate under more formalized internal guidelines—such as gift or CSR frameworks—that may legitimize and facilitate strategic forms of gift exchange (Vuong, Nguyen, et al., 2021; Vuong, Bach, et al., 2024).

Hypothesis 7: Firm size is positively associated with gift-giving during regulatory inspections.

3. Data and methodology

This study uses data from the PCI surveys. Each year, approximately 10,000 firms—both domestic and foreign-invested—participate in the survey. Within the foreign-invested firm sample, around 7% of respondents are senior executives, while the remaining 93% hold other managerial roles, including chief accountants, human resource managers, and business unit managers. A comprehensive description of the survey design and implementation is available at www.vietnampci.org. Since the survey was not constructed as a longitudinal panel, we combine the foreign-invested firm data from the PCI surveys conducted between 2016 and 2020 to form a pooled dataset consisting of five repeated cross-sections. This data structure enables an examination of temporal variations in gift-giving practices during regulatory inspections, while reducing

the risk that the findings reflect idiosyncrasies of a single survey year. The annual number of foreign-invested firm respondents was approximately 1500 during this period. Nevertheless, a proportion of observations contains missing values for several key variables of interest. Our dependent variable is gift, which is derived from the survey question: “During any of the inspections, did you provide a gift or informal payment to the examiner?”.

Independent Variables based on Institutional Theory.

- We follow previous studies (Vuong et al., 2021) in using Transparency International’s Corruption Perceptions Index (CPI) as a country-level measure of home-country institutional transparency. The CPI provides annual rankings of countries in terms of perceived levels of public-sector transparency. The CPI is a continuous variable ranging from 0 to 100, with higher values indicating stronger institutional transparency.

- uncertainty is a variable derived from the survey question: “In your opinion, if firms in your province pay the required ‘additional payment,’ how often is the service delivered as expected?”. This question captures the perceived reliability of informal payments at the provincial level rather than the firm’s own experience.

Independent Variables based on Organizational Learning Theory.

- ceo_vn is a variable referring to local leadership. This variable is coded as 1 when the managing director is Vietnamese and 0 otherwise.

- oecd_inv is a variable referring to the home-country institutional environment. This dummy variable takes the value of 1 if the foreign-invested firm’s home country belongs to the OECD, and 0 otherwise.

Independent Variables based on the Behavioral theory of the firm.

- age is a variable referring to years of operation in Viet Nam. It measures the number of years for which the foreign-invested firm had operated in Viet Nam at the time of the survey. This variable is constructed from the survey question “In what year did your company

receive its investment license?”. The longer a firm has operated in Viet Nam, the more likely it is to have developed extensive interactions with local officials, which may be associated with a higher propensity for gift-giving during inspections. This association is treated as suggestive, as the underlying mechanism remains difficult to establish empirically.

- severe is a variable capturing perceived informal payment norms, derived from the survey question: “On average, what percentage of income do firms in your line of business typically pay per annum in unofficial payments to public officials?”. Firms in industries with higher perceived informal payment norms are more likely to develop routine spending on gifts or other unofficial payments. In such cases, gift-giving during inspections may become an organizational habit rather than the outcome of careful optimization. It is worth noting that severe and uncertainty are measured at the industry and provincial level respectively, capturing shared environmental conditions rather than the respondent firm’s own conduct, which substantially mitigates potential simultaneity concerns.

- size is a variable referring to the number of employees at the time of the survey as a proxy for firm size. Larger firms usually establish stronger corporate cultures and more fixed working procedures, helping them remain stable and sustainable over time. In this context, gift-giving during inspections or informal payments may be treated as habitual organizational practices rather than carefully evaluated decisions.

Control variables.

We control for firm characteristics as follows: venture_vn_pri, venture_vn_state, and other_legal are variables referring to legal form, constructed from the survey question: “Which of the following categories best describes your company’s current legal form?”.

Construct, service_commerce, and others_ind are variables referring to the sectors in which foreign-invested firms operate, constructed from the survey question: “In which field does your firm mainly operate?”. The empiri-

Table 1. Summary statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
gift	4354	0.23	0.421	0	1
oecd_inv	4354	0.639	0.48	0	1
cpi	4354	62.797	13.973	21	90
ceo_vn	4354	0.092	0.289	0	1
age	4354	13.007	5.733	3	34
severe	4354	2.207	1.183	1	8
uncertainty	4354	2.537	0.969	1	5
size	4354	3.781	1.726	1	8
venture_vn_pri	4354	0.056	0.23	0	1
venture_vn_state	4354	0.01	0.098	0	1
other_legal	4354	0.052	0.221	0	1
construct	4354	0.062	0.242	0	1
service_commerce	4354	0.262	0.44	0	1
argi_fores_fishe	4354	0.025	0.156	0	1
others_ind	4354	0.665	0.472	0	1

Source: Compiled by the authors

cal strategy begins with descriptive analysis to summarize the key characteristics of the dataset. We then estimate the main regression model and report coefficients, robust standard errors, and significance levels for each variable. Model fit is assessed using the Omnibus test and Nagelkerke R Square. This approach provides a structured basis for evaluating the associations between gift-giving during inspections and the explanatory variables.

4. Empirical Results

Drawing on Question 4.2 in Section D2 of the PCI Questionnaire- “During any of the inspections, did you provide a gift or informal payment to the examiner?”- we define the dependent variable as follows.

Gift dummy (Gift): a dummy variable indicating whether a firm provided a gift or informal payment to government officials or inspectors during inspections. The variable takes a value of 1 if such payments were made and 0 otherwise.

The other variables are defined in Table 2. To provide an overview of the dataset, the study first conducts a preliminary analysis of the variables to summarize their general characteristics before moving to the main empirical analysis. Table 1 presents summary statistics for all 4,354 observations.

To analyze the determinants of informal payments during regulatory inspections, we employ a logit regression model appropriate for a binary dependent variable (Gift). The outcome variable equals 1 for firms that provided gifts during inspections and 0 otherwise. This model estimates the probability p_i of gift-giving during inspections as a function of independent variables, including firm-related factors and home-country characteristics:

$$\text{Logit}(p_i) = \text{Ln}(p_i/(1-p_i)) = \beta_0 + \beta_1 \text{OECD_INV} + \beta_2 \text{CPI} + \beta_3 \text{CEO_VN} + \beta_4 \text{Age} + \beta_5 \text{Severe} + \beta_6 \text{Uncertainty} + \beta_7 \text{Size} + \beta_8 X$$

where:
+ X represents control variables (venture_vn_pri, venture_vn_state, other_legal).
+ β coefficients are estimated using maximum

Table 2. Firm-related factors and home-country characteristics influence gift-giving

Dependent variable: gift dummy, a dummy variable indicating whether a firm provided unofficial gifts or payments to government officials and inspectors during inspections, taking the value of 1 for firms that did so and 0 otherwise.		Coef.	Robust Std. Err.
oecd_inv	Dummy variable indicating the country origin of the holding company or major owners of the FDI firms, which is equal to 1 for the investors from OECD countries and 0 otherwise.	-0.214**	0.085
cpi	Corruption Perceptions Index-an annual index used here as a broad institutional proxy for the firm's home-country environment.	-0.005*	0.003
ceo_vn	Dummy variable indicating the country origin of the FDI firms' Chief Executive Officer (CEO), which is equal to 1 for Vietnamese (local) CEO and 0 otherwise.	0.184	0.144
age	The number of years the firm has operated in Viet Nam, measured from the year in which it received its investment license.	0.029***	0.007
severe	The ordered-scale variable capturing perceived informal payment norms, ranging from 1 for informal payment amounts equivalent to 0% of the total corporate income, 2 for less than 1% of total income, 3 for 1- 2% of total income, 4 for 2- 5% of total income, 5 for 5- 10% of total income, 6 for 10- 20% of total income, 7 for 20- 30% of total income, and 8 for more than 30% of total income.	0.277***	0.029
uncertainty	The ordered-scale variable capturing the perceived reliability of informal payments in the provincial environment, reflecting how consistently firms in the province receive the expected service after making additional payments, ranging from 1 for always as expected, 2 for often as expected, 3 for sometimes as expected, 4 for seldom as expected, and 5 for never as expected.	-0.076**	0.038
size	The ordered-scale variable capturing the number of employees in the firm, ranging from 1 for fewer than 5 employees, 2 for 5-9 employees, 3 for 10-49 employees, 4 for 50-199 employees, 5 for 200-299 employees, 6 for 300-499 employees, 7 for 500-999 employees, and 8 for all larger categories.	0.048**	0.024
Control variables			
venture_vn_pri	Dummy variable taking the value of 1 for firms that cooperate with Vietnamese private firms and 0 otherwise.	-0.035	0.170
venture_vn_state	Dummy variable indicating whether a foreign firm partners with a state-owned enterprise to form a new business entity in Viet Nam, taking the value of 1 for firms that partner with a state-owned enterprise and 0 otherwise.	0.705**	0.357

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other_legal	Dummy variable indicating whether a firm does not partner with a state-owned enterprise nor with Vietnamese firm, taking value of 1 for neither partnering with a state-owned enterprise nor with Vietnamese firm and 0 for those that do.	-0.473**	0.197
construct	Dummy variable indicating whether a firm operates in the construction sector, taking the value of 1 for firms in construction and 0 otherwise.	0.072	0.330
service_commerce	Dummy variable indicating whether a firm operates in the service or commerce sector, taking the value of 1 for firms in service or commerce and 0 otherwise.	-0.282	0.341
argi_fores_fishe	Dummy variable indicating whether a firm operates in agriculture, forestry, or fishing, taking the value of 1 for firms in these sectors and 0 otherwise.	-0.089	0.385
others_ind	Dummy variable indicating whether a firm operates in sectors other than construction, service, commerce, agriculture, forestry, and fishing, taking the value of 1 for firms in those other sectors and 0 otherwise.	-0.280	0.354
_cons		-1.515***	0.413

*Note: *, **, and *** stand for significance levels of 10%, 5%, and 1%, respectively.*

Source: Compiled by the authors

likelihood with robust standard errors.

As a robustness check, we also estimate a probit model; results are qualitatively similar (see Appendix Table A).

The model is estimated using STATA 17, implementing robust standard errors clustered at the provincial level to account for within-province correlation and heteroscedasticity. This approach ensures consistent inference given the hierarchical structure of the survey data. Diagnostic tests: Omnibus test: $p < 0.01$ (the model is statistically significant); Nagelkerke R^2 : 0.06 (6% of the variance explained). Based on the model's goodness-of-fit results, the Omnibus test yields a significance level below 0.01. This provides strong evidence that the model as a whole is statistically significant. The findings can be summarized as shown in Table 3.

Results from Table 3 indicate that firms operating in environments where informal payments are more likely to yield expected outcomes show a higher propensity for gift-giving during inspections, as do older and larger firms. By contrast, firms from OECD countries or from more institutionally transparent home countries are less likely to engage in such behavior. Hy-

potheses H_1 , H_5 , and H_7 are supported robustly, whereas support for H_2 , H_4 , and H_6 is limited to the baseline specification. Hypothesis H_3 is not supported.

5. Discussion

Drawing on institutional theory, organizational learning theory, and the behavioral theory of the firm, our study shows that both firm-level characteristics and home-country institutional environments shape gift-giving during inspections. This study focuses on understanding what drives gift-giving during inspections, not on forecasting it; the findings therefore carry several meaningful implications. Accordingly, the discussion focuses on the direction and statistical significance of each association rather than on the precise magnitude of effects. Marginal effects are reported in Appendix Table A for readers who wish to assess the magnitude of each association.

It is worth noting that the 'no gift' category in the dependent variable may combine two distinct groups: firms that were inspected but chose not to give gifts, and firms that were not inspected at all. Although all firms in the

Table 3. Summary of findings

Hypothesis	Result	Coef.
Hypothesis 1: Firms from OECD countries are negatively associated with gift-giving during regulatory inspections.	Supported	-0.214**
Hypothesis 2: The Corruption Perceptions Index (CPI) of investors' home countries is negatively associated with gift-giving during regulatory inspections.	Supported in the baseline specification only/not robust after adding the year control.	-0.005*
Hypothesis 3: Firms with Vietnamese CEOs are positively associated with gift-giving during regulatory inspections.	Not supported	+0.184
Hypothesis 4: Firms with longer operating histories in Viet Nam are positively associated with gift-giving during regulatory inspections.	Supported in the baseline specification only/not robust after adding the year control	+0.029***
Hypothesis 5: Perceived informal payment norms are positively associated with gift-giving during inspections.	Supported	+0.277***
Hypothesis 6: The perceived reliability of informal payments is negatively associated with gift-giving during inspections.	Supported in the baseline specification only/not robust after adding the year control	-0.076**
Hypothesis 7: Firm size is positively associated with gift-giving during regulatory inspections.	Supported	+0.048*

Note: *, **, and *** stand for significance levels of 10%, 5%, and 1%, respectively.

Source: Compiled by the authors

sample had been operating for at least three years, making inspection exposure reasonably likely, this criterion alone does not confirm that every firm actually underwent an inspection during the survey period. The estimated associations should therefore be interpreted with this caveat in mind.

Findings and Their Interpretation

- Firms from OECD countries demonstrate a significantly lower propensity for gift-giving during regulatory inspections (coefficient = -0.214, $p < 0.05$). This finding is consistent with the view that home-country institutional origin shapes firm conduct abroad, such that firms from more transparent institutional environments are associated with lower engagement in informal exchanges during inspections (Vuong et al., 2021).
- A country's CPI is scored along a 0-100 continuum. Here, 0 represents the weakest institutional transparency and 100 the strongest, both measured at the country level. Hence, the

negative relationship between home-country institutional transparency scores and gift-giving during inspections (coefficient = -0.005, $p < 0.1$) suggests that firms from environments with weaker institutional transparency are more likely to reproduce such practices abroad. This pattern reflects what prior research terms "corruption distance" effects, referring to differences in home-country institutional environments (Godinez & Liu, 2015; Vuong et al., 2021).

- The coefficient for the Vietnamese CEO variable is positive but not statistically significant ($\beta = 0.184$, $p > 0.10$). The non-significant result could reflect the small share of FIFs with Vietnamese CEOs in the sample (mean = 0.092). In addition, it may imply that CEO nationality alone is an imperfect indicator of the culturally embedded practices of gift-giving within foreign-invested firms. This finding diverges from prior studies suggesting a positive association between local leadership and informal payments (De Jong et al., 2012;

Nguyen & Rose, 2009). This may reflect the fact that the compliance-pressure nature of inspection encounters may override individual leadership characteristics as a driver of gift-giving behavior.

○ The positive association between firm age and gift-giving during inspections (coefficient = 0.029, $p < 0.001$) is suggestive of an experience-related pattern, though the underlying mechanism remains difficult to establish empirically. Longer-operating firms may have developed more extensive interactions with local officials, which could be associated with more established patterns of informal exchange. This finding should be treated as preliminary and suggestive rather than conclusive, given that the association loses statistical significance when a year control is included in robustness checks (see Appendix Table A).

○ The estimated coefficient for severe is 0.277 ($p < 0.001$), providing support for Hypothesis 5. This result suggests that firms operating in environments where informal payment norms are stronger are more likely to engage in gift-giving during inspections.

○ The coefficient for uncertainty is statistically significant (-0.076, $p < 0.05$). This pattern is consistent with the view that firms are more willing to engage in gift-giving during inspections when informal payments are perceived as more likely to generate expected returns (Dejardin & Laurent, 2024).

○ The coefficient for firm size is also statistically significant (0.048, $p < 0.05$), supporting Hypothesis 7. Larger firms tend to possess greater financial resources, broader institutional networks, and more frequent interactions with public authorities. These characteristics may be associated with lower relational barriers in business-government interactions and greater opportunities for gift-giving during inspections.

Theoretical implications

This study advances understanding across three theoretical frameworks, though the strength of empirical support varies across hypotheses. The most robust contributions are made

through H_1 , H_5 , and H_7 , which retain statistical significance across all model specifications. These findings provide support for organizational learning theory, insofar as firms from OECD countries appear less likely to engage in gift-giving during regulatory inspections. They also support the behavioral theory of the firm, as perceived industry-level informal payment norms and firm size are associated with variation in gift-giving practices across firms. By contrast, support for H_2 , H_4 , and H_6 -relating to home-country CPI, firm age, and perceived uncertainty-holds only in the baseline specification and does not survive the inclusion of the year control. The theoretical inferences drawn from these hypotheses should therefore be treated as preliminary, pointing to potentially meaningful relationships that warrant further investigation with more robust data structures. Finally, H_3 finds no empirical support, suggesting that CEO nationality alone may be an insufficient proxy for culturally embedded practices in the inspection context.

Policy Implications

Inspection procedures are intended to prevent misconduct; therefore, gift-giving in this context should be treated as institutionally sensitive rather than interpreted primarily as a cultural practice. In light of these findings, this study suggests several policy-relevant considerations. First, as Viet Nam continues to attract foreign investment, policymakers may consider complementing quantity-based investment targets with more quality-oriented criteria, in which source-country institutional background may be treated as one contextual signal alongside firm-level compliance, transparency, and overall investment quality. Second, older firms, larger firms, and those operating in industries where informal payments are perceived as commonplace are more likely to be associated with gift-giving during inspections, suggesting that such behavior may become more normalized over time within certain firm profiles. The conduct of domestic firms also shapes the institutional environment in which foreign-invested firms operate. Provinces in which informal

practices are more widely tolerated may inadvertently normalize such behavior across the broader investment landscape, potentially weakening efforts to attract quality-oriented foreign investors.

Limitations

Panel data cannot be constructed from this dataset because the identities of individual firms are kept secret, which prevents us from tracking changes in firm behavior over time.

A potential limitation concerns the dependent variable, which captures whether firms give gifts during inspections. Our dataset does not allow us to verify with certainty that all firms in the sample were subject to an inspection during the survey period. As a result, the “no gifts” category may conflate two distinct cases: firms that were inspected but chose not to give gifts, and firms that were not inspected at all. Although the restriction to firms with a minimum age of three years makes inspection exposure highly probable, this criterion does not constitute a guarantee. To the extent that some “no gifts” firms were never inspected, the dependent variable may contain measurement error. Our findings should therefore be interpreted as a conservative estimate of the true relationships. A more substantive limitation concerns the robustness of two specific findings. When a year variable is included in an alternative specification, the coefficients for home-country CPI, firm age, and perceived uncertainty lose statistical significance (Appendix Table A). This indicates that the associations between these variables and gift-giving propensity cannot be established independently of time trends in the current dataset. Readers should therefore interpret the findings on CPI, firm age, and uncertainty as suggestive rather than conclusive. The baseline specification omits a year control variable because firm age is constructed as the difference between the survey year and the year of investment licensing, creating collinearity between the two; however, we acknowledge that this choice comes at the cost of temporal control. Future research with true panel data or longer obser-

vation windows would be better positioned to disentangle these effects.

Additionally, Severity and Uncertainty capture shared perceptions at the industry and provincial level rather than firm-specific experiences, which may limit the precision of individual-level inferences drawn from these variables.

6. Conclusion

Drawing on institutional theory, organizational learning theory, and behavioral theory of the firm, this study examined several factors associated with gift-giving during regulatory inspections. The evidence points to a consistent pattern: firms from institutional environments with lower perceived informal payment norms are less likely to engage in gift-giving during inspections. Older and larger firms, by contrast, along with those in industries where informal payments are widely perceived as commonplace, are more likely to be associated with gift-giving during inspections. For policymakers, the findings suggest the value of complementing investment-attraction strategies with more quality-oriented criteria, particularly by considering source-country institutional background as one contextual signal alongside firm-level compliance, transparency, and actual investment quality. Theoretically, the findings reinforce the value of combining institutional, organizational learning, and behavioral perspectives when seeking to explain why firms engage in gift-giving in inspection settings, a context that prior research has largely overlooked. That said, several limitations of the current study deserve acknowledgment. The pooled cross-sectional structure of the data limits the ability to draw causal conclusions, and the impossibility of confirming whether every sampled firm actually underwent an inspection during the survey window introduces a degree of uncertainty into the dependent variable. These constraints point toward a clear direction for subsequent work: studies drawing on true panel data or employing quasi-experimental methods would

be better equipped to isolate the causal pathways through which home-country institutional conditions and local environmental norms jointly shape gift-giving decisions when firms face government inspectors. ■

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Appendix Table A. Firm-related factors and home-country characteristics influencing gift-giving

	Logit	Marginal effects (dy/dx)	Probit	Logit (adding YEAR)
oecd_inv	-0.214**	-0.036**	-0.127*	-0.197*
cpi	-0.005*	-0.001*	-0.003*	-0.002
ceo_vn	0.184	0.031	0.106	0.239
age	0.029***	0.005***	0.017*	0.005
severe	0.277***	0.047***	0.167*	0.252*
uncertainty	-0.076**	-0.013**	-0.043*	-0.052
size	0.048**	0.008**	0.028*	0.058*
venture_vn_pri	-0.035	-0.006	-0.021	0.162
venturevn_state	0.705**	0.119**	0.433*	0.804*
other_legal	-0.473**	-0.080**	-0.267*	-0.479*
construct	0.072	0.012	0.037	0.095
service_commerce	-0.282	-0.048	-0.163	-0.186
argi_fores_fishe	-0.089	-0.015	-0.060	0.204
others_ind	-0.280	-0.047	-0.168	-0.215
YEAR				-0.450*
_cons	-1.515***		-0.933*	905.481
observations	4354		4354	4354
pseudo R2	0.037		0.038	0.0962
Log likelihood	-2259.475		-2258.098	-2121.684

Note: *, **, and *** stand for significance levels of 10%, 5%, and 1%, respectively.

Source: Compiled by the authors