

“Impact of urbanization on people’s income and proposing new livelihood strategies for people in urban areas”

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ARTICLE INFO	Trong Thuat Pham and Thanh Thuy Cu (2024). Impact of urbanization on people’s income and proposing new livelihood strategies for people in urban areas. <i>Problems and Perspectives in Management</i> , 22(2), 114-123. doi: 10.21511/ppm.22(2).2024.10
DOI	http://dx.doi.org/10.21511/ppm.22(2).2024.10
RELEASED ON	Monday, 22 April 2024
RECEIVED ON	Friday, 23 February 2024
ACCEPTED ON	Wednesday, 10 April 2024
LICENSE	 This work is licensed under a Creative Commons Attribution 4.0 International License
JOURNAL	"Problems and Perspectives in Management"
ISSN PRINT	1727-7051
ISSN ONLINE	1810-5467
PUBLISHER	LLC “Consulting Publishing Company “Business Perspectives”
FOUNDER	LLC “Consulting Publishing Company “Business Perspectives”



NUMBER OF REFERENCES

30



NUMBER OF FIGURES

0



NUMBER OF TABLES

4

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BUSINESS PERSPECTIVES



LLC "CPC "Business Perspectives"
Hryhorii Skovoroda lane, 10,
Sumy, 40022, Ukraine
www.businessperspectives.org

Received on: 23rd of February, 2024

Accepted on: 10th of April, 2024

Published on: 22nd of April, 2024

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2024

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Conflict of interest statement:

Author(s) reported no conflict of interest

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IMPACT OF URBANIZATION ON PEOPLE'S INCOME AND PROPOSING NEW LIVELIHOOD STRATEGIES FOR PEOPLE IN URBAN AREAS

Abstract

This study was undertaken to examine the effects of urbanization on the income of people in Vietnam. The research utilized data from a survey of 597 people who were impacted by urbanization in Vietnam. Research methods included: (i) The T-test difference test method, which is a method used to examine the influence of urbanization on people's income by comparing the income differential between persons in urban regions and those in rural ones; (ii) The least squares method was used to quantify the impact of various factors on the income of people in the study area. The study concludes that people with similar education and job positions earn higher incomes if they live and work in urban areas as opposed to rural ones (the beta coefficient of the variable Place_Edu is 0.806, and the beta coefficient of the variable Place_Posit is 3.309). According to the findings of this study, individuals residing in urban areas generally have higher incomes than those living in rural areas (the beta coefficient of the Place variable is 3.140). According to research findings, urbanization has both positive and negative impacts on people's income in Vietnam.

Keywords

urban, rural, livelihood, testing the difference, livelihood resources, educational background, job position

JEL Classification

O12, D10, J22, D13

INTRODUCTION

The trend of urbanization is taking place globally in general and in Vietnam in particular. Urbanization has positive impacts on economic growth and development, resulting in various socio-economic changes, such as the development of modern infrastructure systems and improvements in the living standards of urban dwellers. Statistical data from the GSO survey on population living standards conducted across Vietnam's six geographical regions shows an increase in per capita income, with an estimated average of 4.67 million VND per person per month in 2023. The survey results indicate an increase in income in comparison to 2021, which suggests economic recovery following the outbreak of COVID-19 in Vietnam. Based on the findings of the 2022 living standards census conducted by GSO (2023), it has been observed that the average income of individuals residing in Vietnam's urban and rural areas has shown a positive increase. Nonetheless, the data indicates that the average income of individuals dwelling in urban areas is relatively higher, at approximately 5.95 million VND/person/month, in comparison to those residing in rural areas, whose average income is approximately 3.86 million VND/person/month. This contrast in living standards and employment prospects between urban and rural areas can be attributed to the influence of the urbanization process in Vietnam.

The urbanization process in Vietnam has the following relatively unique characteristics. The process of industrialization in Vietnam is closely related to the urbanization process. On the one hand, urbanization provides the foundation for the formation and development of industrial parks. On the other hand, the development of industrial parks also positively impacts the development of the urban system, including the infrastructure system. Additionally, it creates job opportunities for urban residents as factories, enterprises, and businesses set up operations in these areas. Specific proof for this is the expansion in the system of industrial parks and the infrastructure system in urban areas surrounding the industrial parks being updated to modernity, from the transportation system, healthcare, and education system. In 2011, Vietnam boasted 260 industrial parks spanning 72,000 hectares; this number increased to about 335 industrial parks with a total natural land area of about 97.8 thousand hectares. The development of infrastructure systems serving urbanization and industrialization brings positive changes to people's lives (ILO, 2021; GSO, 2023).

Second, urbanization in Vietnam has had positive impacts on the general living standards of people in Vietnam's cities; evidence for this change is the increase in the per capita income of people in urban areas of Vietnam (MOC, 2020; Chowdhury et al., 2018).

However, besides those positive results, urbanization in Vietnam also causes negative impacts. The process of urbanization in Vietnam is giving rise to several socio-economic challenges, including an alarming wealth gap between the affluent and the underprivileged. Moreover, there are significant income disparities among different regions, especially between urban and rural areas. Recent data published by GSO in 2021 highlight the prevalence of income inequality, especially the substantial divide between the poorest group (group 1) and the wealthiest group (group 5). From an income perspective, the disparity between the rich and poor is evident in the absolute value difference between income groups. In 2010, the lowest income group (group 1 – Concentrated in midland and mountainous areas), and the highest income group (group 5 – Concentrated in urban areas) had a difference of 3 million VND. By 2019, this difference had tripled to 9.1 million VND. Although the gap decreased in 2020, the difference remained significant at almost 8.1 million VND. Furthermore, based on the statistical findings of GSO in 2023, Vietnam has introduced a multidimensional poverty line for the years 2022–2025. This approach includes an income poverty line and six essential social service dimensions, which correspond to twelve indicators measuring the level of basic social service deficiencies. Under this new standard, 4.3% of households in Vietnam are considered multidimensionally poor. The region with the highest rate of poor households in the country is the Northern Midlands and Mountains, with a rate of 12.1%. The Southeast and Red River Delta regions are a relatively clear representative of Vietnam's urban areas; it is the place with the largest concentration of urban areas in Vietnam. These regions also boast the lowest poverty rates in the country, with only 0.7% and 0.9% of households classified as poor, respectively. While Vietnam's GINI coefficient (by income) has remained stable compared to 2020 and 2021, it still sits at the average level of inequality, with a value of 0.375 in 2022. Unfortunately, the Northern Midlands and Mountains and the Central Highlands regions remain the two regions with the highest GINI coefficients at 0.408 and 0.399, respectively (GSO, 2023).

With rapid industrialization and urbanization, the density of population in large cities has increased significantly. This increase in population is especially noticeable in urban areas, particularly in large cities. As of 2020, Vietnam has a population of about 97.58 million, of which 35.93 million reside in urban areas, accounting for 36.82% of the total population. This represents a 6% increase compared to 2010. The growth in the urban population can be attributed mainly to migration from rural areas to urban areas. The swift pace of industrialization and urbanization has resulted in a considerable wealth disparity within various segments of society, particularly those residing in rural areas. The loss of livelihood options, as agriculture remains the primary occupation in rural areas, coupled with inadequate training, has led to unemployment or low-paying jobs. This has contributed to a significant income disparity between high-income and low-income groups during the urbanization process (GSO, 2023)

Conducting research on the impact of urbanization on income disparities among people in Vietnam is crucial.

1. LITERATURE REVIEW

Urbanization is a process that cannot be avoided in many countries. It affects countries' socio-economic development in many ways, not just on a macro level in terms of the economy, employment, and society but also in creating income disparities across regions. In this field, various studies have been conducted to analyze the impact of urbanization from different perspectives and on different issues.

First, studies examining the consequences of urbanization and industrialization are quite consistent in their findings. Cui et al. (2019) and Abdissa and Degefa (2011) have found that urbanization has had adverse effects on people's income and livelihoods. Specifically, there is a noticeable income gap between different local groups, with the study by Abdissa and Degefa (2011) indicating that urbanization has resulted in decreased income for women. Cui et al. (2019), using the distributed lag model, have revealed a concerning issue: the actual income levels in comparison with the urbanization development requirements in the study area are experiencing a significant delay of three years. As a result, urgent action is required from both the government and residents to implement changes in policies and livelihoods to improve the situation and achieve income balance between research groups. The impact of urbanization on people's income and livelihoods is also studied by Tran (2013), Nguyen and Bui (2011), and Saumik and Sarma (2013); when considering factors affecting the income of people in urbanized areas, those directly affected by the urbanization process may experience a two-way positive impact through jobs and new livelihood strategies. However, there are also negative consequences when individuals lose their means of production and must adapt to new strategies. Failure to adapt can lead to unemployment, thereby negatively affecting both themselves and society. This study relies on surveys conducted among individuals residing in urban areas to gauge their perceptions of the direct effects of urbanization. However, a limitation of this study is the absence of a comparison between distinct groups of people within these areas, which would have shed more light on the impact of urbanization on individuals in the localities chosen for the study (Nguyen et al., 2018; Nguyen & Nguyen, 2020; Ramcharan, 2017).

Second, a group of studies on the influence of urbanization on changes in infrastructure systems in nations and regions reveals that the process of urbanization leads to the growth of local and national industries, as well as improved infrastructure systems (Susur et al., 2019; Hyeong et al., 2016; Liang et al., 2015). This development has significantly impacted people's lives, including those living in urban areas and industrial parks, as well as those in surrounding areas (Dai et al., 2013; Bury, 2004; Bui et al., 2013). Those in surrounding areas can benefit from better healthcare systems, education, and transportation infrastructure from industrialization and urbanization (MOC, 2020; Bezerra et al., Silva, 2020; DFID, 1999). Additionally, people have more job opportunities, both direct and indirect, due to the processes of industrialization and urbanization. However, it is important to acknowledge that some negative impacts can arise if people cannot adapt to changing contexts (Tu et al., 2015; Liang et al., 2017; Nguyen et al., 2017).

The third group of research works focuses on considering income disparities and the income differentiation of people under the influence of agents. One of the agents of concern recently is the outbreak of COVID-19. The effects of COVID-19 on income disparities and differentiation among urban workers have been examined from various angles. Qian and Fan (2020) and Bezerra et al. (2020) have both executed research utilizing worker survey data to evaluate income vulnerabilities and disparities resulting from negative impacts on workers. These studies also note that such negative impacts can lead to income disparities, which in turn necessitates changes in livelihood strategies for affected workers.

An overview of studies shows that urbanization brings "two-sided impacts" to people in urban areas. Previous studies have relied on survey data collected from individuals residing in urbanized regions to gauge their perceptions of the impacts of urbanization. Additionally, studies have commonly utilized the sustainable livelihood framework proposed by DFID (1999) to guide research and recommend new livelihood strategies for those residing in urban areas. However, one aspect that urbanization impacts is the gap in wealth and income of people in areas of Vietnam that have

not yet been studied. As such, this study ought to build upon prior analyses that have explored how urbanization influences income and rich and poor disparities in Vietnam, specifically between urban and rural regions. By choosing these two regions, the study can offer a more comprehensive view of the effects of urbanization on the lives of individuals residing in different parts of Vietnam. Additionally, the study will draw on the sustainable livelihood analysis framework developed by FDID (1999) to suggest new approaches for enhancing livelihoods and reducing socio-economic inequality in both urban and rural areas of the country.

The research hypotheses are as follows:

- H1: *There is a difference in income between people in urban areas and people in rural areas due to the impact of urbanization in Vietnam.*
- H2: *The living and working areas of people have an impact on income.*
- H3: *Educational background and job position have an impact on people's income.*

2. METHOD

2.1. Data collection methods

Urbanization takes place in all provinces of Vietnam; therefore, the study selected survey locations for people affected by urbanization in Vietnam according to the following principles: (i) Research location: The study selected urban areas: Hanoi City; Lang Son Province; Nghe An Province; Da Nang City; Lam Dong Province; and Ho Chi Minh City. These are the cities with the highest urbanization rate in Vietnam. (ii) Each selected urban area requires a full population of rural and urban areas according to the population classification of the General Statistics Office of Vietnam. By selecting research points in this manner, the study can ensure that its sample is both representative and generalizable.

Regarding the sample size of the survey, the research team will conduct surveys directly with

individuals in specific localities, with each locality surveying 100 people, including those residing in urban and rural areas. Thus, the study will survey 600 observations of people in the selected research areas. Following the completion of the surveys, the team will proceed to input the data into Excel software, and the resulting outcomes are as follows: Out of the 600 survey forms that were sent out, all of them were returned, with a 100% return rate. However, during the data entry process, it was discovered that three surveys did not meet the necessary information requirements. As a result, those surveys were excluded from the calculation, leaving a total of 597 surveys that fully satisfied the quality standards necessary for statistical analysis. This accounts for 99.5% of the original sample size and meets the minimum requirement for statistical calculations as per Nguyen's (2014) opinion.

Regarding the survey forms, conduct the survey: Based on the survey form of GSO (2023), research and develop a survey form to meet the research objectives. The survey form is divided into three parts: Part 1: General information about survey subjects; Part 2: Information on factors affecting people's income and livelihoods, information on living standards and employment of surveyed people; and Part 3: Suggestions and recommendations given by the people.

Survey time: From February to June 2023.

The results of descriptive statistics with observations are collected as follows.

Out of the 597 observations that meet the requirements for statistical analysis, 298 samples come from rural areas, making up approximately 49.9% of the total observations, while the remaining 299 samples are from urban areas, accounting for roughly 50.1%. There is a relatively even distribution of observations between the two groups, thereby ensuring equitable statistical comparisons between the urban and rural research subjects.

The survey data show that, in total, 597 observations were collected. Regarding the educational level, the majority of workers surveyed in both urban and rural areas of Vietnam possess a university degree. However, the percentage of individuals

surveyed with a university education was slightly higher in urban areas, at 74.9%, compared to the rural group, at 66.8%. This shows that the quality of education in Vietnam is gradually improving and is in line with the current economic and integration developments of Vietnam.

Table 1. Descriptive statistical results of the survey sample

Items		Place			
		Rural		Urban	
		Count	%	Count	%
Education	College	22	7.4%	44	14.7%
	High school	61	20.5%	5	1.7%
	Post Graduate	16	5.4%	26	8.7%
	University	199	66.8%	224	74.9%
Position	Employee	273	91.6%	168	56.2%
	Management	25	8.4%	131	43.8%

Regarding the job positions, the vast majority of respondents in the survey were workers or employees within various units. In rural areas, 91.6% of respondents did not hold management positions, while in urban areas, 56.2% did not hold management positions, and 43.8% held management positions.

Job position and educational level also have certain effects on the income and employment of people in urban areas and thereby affect income disparities about the living standards and adaptability of people in these areas.

2.2. Data analysis method

Using the collected data, the study employs the T-test method to analyze the income disparity between urban and rural areas in Vietnam as a result of urbanization. The scale used is the income scale. The study utilizes a comprehensive income scale that encompasses all sources of income, including salary, bonuses, social benefits, and other forms of income. This scale is used and inherited from the studies by Tran and Vu (2014) and Le et al. (2020).

Regarding the influence of factors on people's income by region, the study used multivariate regression to perform the analysis. Selected variables include.

Dependent variable: Income (Y): This is the income of the surveyed people, including income from salary, bonuses, social benefits, and other

sources of income. This scale is used and inherited from the research of Tran and Vu (2014) and Le et al. (2020).

Independent variables: Place of residence of the survey subjects (Place): This is the variable used to distinguish the living areas of the survey subjects as urban and rural; This is the variable used to measure the income difference between these two areas. This variable is coded as 1 if the survey subject lives in an urban area and 0 if the survey subject lives in a rural area. This variable is inherited from Bezerra et al. (2020), Vo et al. (2021), and GSO (2021b).

Education level of survey subjects (Edu): This scale indicates the educational attainment of the individuals who participated in the survey, the level of education that has an impact on the ability to adapt, and the level of income that people can have, thereby affecting the income difference between the two regions being compared. This variable is coded as follows: For survey subjects with high school qualifications, coding will be 1; College coded 2; University coded 3; and post-graduate will be coded 4. This variable is inherited from the studies of Nguyen and Bui (2021), Tran and Vu (2014), and Tran (2013).

Investment of survey subjects (Invest): This variable measures the investment level of survey subjects. This investment often brings income other than salary for people. The investment scale is measured by the actual amount of money being invested at the time of the survey, and the unit is a million VND. This scale is inherited from the studies by Bezerra et al. (2020) and Huynh and Mai (2011).

Job position (Posit): This scale is used to measure the working position of the survey subjects and to divide the survey subjects into two groups. The study expects that holding a management position will have a positive impact on the survey subjects' income, and this work location variable will also be considered for cross-effects with living location (Place variable) to be able to measure the income difference between two groups in rural and urban areas when sharing the same working position. This variable is inherited from the studies of Qian and Fan (2020), Hop et al. (2018), and Vo et al. (2021).

Work experience (Exper): This variable measures the number of years worked by the survey subjects in the job position. The number of years worked is calculated in years and rounded in years when analyzing data. This variable is used from the study of Vo et al (2012).

This multivariate regression analysis method is leveraged to measure the impact of various factors on the income of those surveyed. Additionally, it takes into account the disparity in income based on whether the survey respondents reside in urban or rural areas. This quantified result will provide the research with a solid foundation to put forth suggestions on how to augment income levels while narrowing the income divide between these two living areas.

3. RESULTS AND DISCUSSION

The results of the data survey and data analysis show that there is a difference in income and investment between survey subjects in urban areas and survey subjects in rural areas.

Regarding the investment choices of survey participants, they have a significant impact on their income and livelihood. The investment can either increase or decrease a person’s monthly income, depending on its effectiveness. The survey findings suggest that individuals residing in urban areas are more inclined to invest compared

to those living in rural areas. The survey findings reveal that the investment variable’s average value for the urban survey group stands at approximately 14.1 million VND, while the rural survey group lags at only 1.5 million VND. This disparity in investment values is a significant factor contributing to the wealth gap between these two groups. Proper investment management can significantly impact the urban group’s income levels, giving them an edge over their rural groups.

Regarding people’s income, it seems that people living in urban areas have a higher income compared to those in rural areas. The average income of people living in urban areas is 9.6 million VND per month, while the average income of those living in rural areas is only 4.9 million VND per month. The income disparity serves as a stark illustration of the contrast between the affluent and impoverished among the two groups examined. This reality is particularly evident in Vietnam, where urban regions tend to offer more substantial wages, benefits, and income-generating opportunities compared to other locales.

Based on the t-test results, it appears that there is indeed a disparity in income between individuals residing in rural versus urban areas. Specifically, analysis indicates that those within the survey’s urban target group possess a higher income, averaging approximately 4.721 million VND/month, compared to their rural counterparts.

Table 2. Descriptive statistical results of the variables

Items	Place							
	Rural				Urban			
	Mean	Maximum	Minimum	Standard Deviation	Mean	Maximum	Minimum	Standard Deviation
Invest	1.5	13.1	0.0	3.7	14.1	26.5	0.0	8.0
Exper	4.5	13.0	1.0	3.4	8.1	13.0	2.0	3.4
Y	4.9	26.0	1.5	2.0	9.6	40.6	3.0	5.4

Table 3. Results of testing the difference in income between rural and urban areas

Source: Author’s calculations based on survey results.

Items		Independent Samples Test						
		Levene’s Test for Equality of Variances		t-test for Equality of Means				
		F	Sig.	T	Df	Sig. (2-tailed)	Mean Difference	Std. Error Difference
Y (Urban – Rural)	Equal variances not assumed	61.293	0.000	14.151	380.448	0.000	4.721	0.334

Table 4. Regression parameters

Model		Coefficients ^a					Collinearity Statistics	
		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Tolerance	VIF
		B	Std. Error	Beta				
1	(Constant)	0.957	0.539		1.775	0.076		
	Place	3.140	1.166	0.333	2.694	0.007	0.471	2.122
	Invest	-0.408	0.029	-0.767	-14.282	0.000	0.232	4.311
	Posit	2.051	0.687	0.191	2.984	0.003	0.624	1.602
	Edu	0.757	0.212	0.120	3.568	0.000	0.738	1.355
	Exper	0.538	0.057	0.440	9.448	0.000	0.317	3.154
	Place_posit	3.309	0.759	0.291	4.358	0.000	–	–
	Place_Edu	0.806	0.406	0.257	1.985	0.048	–	–
Model Summary						ANOVA ^a		
R	R Square	Adjusted R Square		Std. Error of the Estimate		F	Sig.	
0.783 ^a	0.612	0.608		2.952		132.899	0.000 ^b	

Note: a. Dependent Variable: Y. b. Predictors: (Constant), Place_Edu, Edu, posit, Exper, Invest, Place_posit, Place.

The study used a multivariate regression model to analyze the impact of various factors on people's income. The results of the model testing show that the selected research model is highly consistent with a Sig coefficient of 0.000. The independent variable explains approximately 61.2% of the dependent variable.

Based on the research results, it has been found that residing in urban areas can have a positive effect on one's income. Those living in urban areas generally tend to earn higher incomes than their rural counterparts; the beta coefficient of the Place variable is 3.14. The results of this study also fully support the views of Bezerra et al. (2020), Vo et al. (2021), GSO (2021a), and GSO (2021b). People living in urban areas have more job opportunities and better incomes compared to those living in rural areas because urban areas are where businesses, factories, and other production units are concentrated. Choosing a job with a better income is more convenient and easier in urban areas than in rural areas. Hence, where people live and work also affects their income levels, leading to income disparities between different groups.

The educational level of the survey subjects also has a positive impact on the survey subjects' income; the beta coefficient of this variable is about 0.757, and the research results completely support the views of Nguyen and Bui (2021), Tran and Vu (2014), and Tran (2013). The results of the cross-correlation analysis between educational level and place of residence (Place_Edu) also show that the same level of

education, but living and working in urban areas will bring a higher income than in rural areas; the beta coefficient of the cross-impact variable of education level and workplace is 0.806, indicating this.

The position (Posit) also shows that the management group and the group that does not hold a management position have a difference in income; the management group has a higher income than the group that does not hold a management position. The research findings completely support the views of Qian and Fan (2020), Hop et al. (2018), and Vo et al. (2021). However, when considering both work location and place of residence, the variable Place_Posit has a beta coefficient of 3.309, which indicates that if a worker is living and working in the city, they are likely to have higher income levels compared to those living and working in rural areas. This reflects the reality of people migrating from rural to urban areas in search of better job opportunities and quality of life.

The income disparity across different living areas is influenced by various factors, one of which is the process of urbanization. Rapid urbanization often leads to some people's inability to adapt to the new living conditions. On the other hand, urban areas enjoy certain "benefits", such as getting priority investment resources for developing their infrastructure systems and receiving preferential policy conditions to boost their overall economic growth. As a result, the living standards and income of people living in urban areas tend to be "more adequate" than those living in rural areas.

According to research, there is a significant income gap between the rich and poor in rural and urban areas. The difference in average monthly income between these two groups is around 4.721 million VND. Several factors have been identified as contributing to this income difference, including location, occupation, and education level. The study found that individuals living in urban areas tend to have higher incomes, even when their education level and occupation are the same as those in rural areas.

Drawing from research findings and DFID's sustainable livelihoods framework (1999) on resources to support increasing income and changing livelihood strategies for people, this study proposes actionable recommendations to create new livelihood strategies for individuals. The goal is to reduce income disparities resulting from the effects of urbanization.

First, when people migrate from rural to urban areas, this not only increases the population but also puts pressure on the infrastructure systems in urban areas. Unfortunately, the current infrastructure system is not capable of meeting the needs of urban dwellers. Therefore, to enhance the quality of life for city residents, it is imperative to improve infrastructure systems such as transportation, electricity, health-care, and education. By doing so, it will encourage rural residents to work in urban areas without necessarily relocating. Opting for remote work or daily commuting can be the best solution to reduce the pressure on urban areas due to the migration wave.

Second, improving one's educational qualifications is a key factor in paving the way for better job prospects and a higher income. This means that people's education level has a significant impact on their income. However, it is essential to address the income disparity between people living and working in different areas, such as urban and rural regions, even if they have the same level of education. This also needs to be resolved to minimize the income gap between these two groups. It is worth considering the establishment of a minimum wage. Furthermore, the government could introduce investment policies that prioritize rural areas, encouraging private investment in these regions and expanding employment opportunities. This would help promote balanced development across different regions.

Third, local authorities and the government must develop a new economic model that leverages the existing local advantages to enhance the local economy in general. This will lead to more job opportunities, a higher income, and better living standards for the local population.

Fourth, the government should implement social welfare policies to support disadvantaged individuals and those who are directly affected by urbanization but do not have new opportunities for their livelihood. The purpose of these supports is to reduce income and living standard disparities between different regions.

CONCLUSION

A study was conducted to analyze the impact of urbanization on the income of people in Vietnam by comparing the difference in income of those living in urban and rural areas of Vietnam.

The results of the survey indicate that urban residents are more inclined to invest than rural residents. The survey results show that the average value of the investment variable for the urban survey group is about VND 14.1 million, while the rural survey group lags behind by only VND 1.5 million. This difference in the cost of investment is a significant factor contributing to the wealth gap between these two groups. Proper investment management can significantly affect the income level of the urban group, giving it an advantage over the rural group. The difference in income in different regions of residence is influenced by various factors, one of which is the process of urbanization.

The results of this study serve as a basis for proposing new livelihood strategies that can help people living in urban areas adapt to the changes caused by urbanization. The process of urbanization is objectively inevitable not only in Vietnam, but also in the countries of the world. However, one of the limi-

tations of the study is the inability to compare income differences between pre- and post-urbanization periods, which would have provided a more accurate understanding of changes and inequality between the rich and poor between the two different periods. This is also the next line of research that the team will continue to pursue in the future.

AUTHOR CONTRIBUTIONS

Conceptualization: Thanh Thuy Cu.

Data curation: Thanh Thuy Cu.

Investigation: Trong Thuat Pham, Thanh Thuy Cu.

Methodology: Trong Thuat Pham, Thanh Thuy Cu.

Resources: Trong Thuat Pham.

Software: Thanh Thuy Cu.

Writing – original draft: Trong Thuat Pham, Thanh Thuy Cu.

Writing – review & editing: Thanh Thuy Cu.

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