

Addressing the problem of zombie firms at the international level

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The term "zombie firm" was coined in the late 1980s in the context of "zombie banks." In fiction, the word zombie itself usually refers to a monstrous creature that is animated and yet dead. In the context of

finance, however, we might think of a zombie as a commercial organization that remains active and yet is unable to pay its debts nor generate a profit. Moreover, the life of a zombie firm is often prolonged artificially by subsidies from third parties such as governments and foreign investors.

Nguyen Thi Tuong Anh, Doan Quang Hung, Nam Hoang Vu, and Bui Anh Tuan of the Foreign Trade University in Hanoi, Vietnam, suggesting that addressing the problem of [zombie](#) firms is an important issue at the international level. They point out that many zombie firms are state-owned and invested in foreign transition economies. Writing in the *International Journal of Business and Globalisation*, the team explains how they have used longitudinal data concerning enterprises and the local business environment in a transition economy to devise a solution to the problem.

They demonstrate that driving out persistent zombie firms in [manufacturing industries](#) might be possible by reducing entry costs to a market to facilitate greater competition. The approach, they suggest, may not be effective in non-manufacturing industries.

The team concludes, based on their study of zombie firms in Vietnam, that rather than offering subsidized bailouts to such firms, governments should use market-based instruments to eradicate the zombies and stronger firms to emerge better adapted to the market.

More information: Nguyen Thi Tuong Anh et al. Does lowering entry cost counter the persistence of zombie firms, *International Journal of Business and Globalisation* (2021). [DOI: 10.1504/IJBG.2021.113273](https://doi.org/10.1504/IJBG.2021.113273)

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