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The Impact of Foreign Ownership on Firm Performance: An Empirical Study of Listed Firms in Vietnam*

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Abstract

The purpose of the research examines the relationship between foreign ownership and listed firms' performance in Vietnam. This study employs an extensive set of panel data comprising 288 non-financial listed Vietnamese firms, over a period from 2015 to 2019 taken for analysis. The results show that the higher the foreign ownership ratio, the higher the performance, however, the relationship between foreign ownership and firm's performance is U-shaped. In contrast, when the foreign ownership ratio is becoming too high, it will reduce the firm's performance and firm size, liquidity, financial leverage, capital intensity, and growth opportunities. Furthermore, we find that foreign ownership and performance are linked by an inverted U-shaped relationship. A firm's performance increases with greater foreign ownership up to the range of 36.26%, and declines thereafter. The paper also found positive effects of firm size and growth opportunities, and an inverse relationship between liquidity, financial leverage and capital intensity, and firm's performance. This study has several implications for the enhancement of information and understanding of the foreign ownership as it sheds light on the foreign ownership-firm's performance relationship. Moreover, the study findings contribute to the literature concerning the ownership structure in the context of developing countries.

Keywords: Foreign Ownership, Firm's Performance, PCSE Model, Vietnamese Listed Companies, Financial Leverage

JEL Classification Code: F23, G32, L25

1. Introduction

For all countries, business growth and firm's performance play a very important role and are the basis for the country's economic development. Countries have allowed receiving investment from abroad to get management experience, acquire technology, and raising growth capital for business operations to operate effectively.

In recent times, many Vietnamese firms have been active in loosening foreign room to attract foreign capital and calling for more foreign investment capital such as Bidiphar, PVI, Haxaco, Everest, and the Nafoods Group. According to the State Securities Commission of Vietnam, as of the beginning of the fourth quarter of 2019, nearly 30 listed firms raised the ceiling of foreign ownership to 100% (Baker & McKenzie, 2019). In 2019, the total value of foreign investors' portfolios increased to about 36.4 billion USD. However, the increase in foreign ownership in the Vietnamese market has always been a controversial issue. The supportive point of view in

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the increasing foreign ownership ratio to attract investment shows the advantages of foreign investors such as strong capital capacity, good management capacity, operational efficiency, and corporate governance. On the contrary, the limitations of the increasing foreign ownership have been raised, such as transfer pricing, inadequate sanctions and adequate solutions to compulsory technology transfer, concerns about economic security, and national cultural identity loss.

Studies by Aydin et al. (2007), Douma et al. (2006), Gurbuz and Aybars (2010), Ongore (2011), Nakano and Nguyen (2013), Srithanpong (2013), Greenaway et al. (2014), Kao et al. (2019), Malik (2021) consistently show that foreign ownership has a positive impact on firm's performance. In contrast, other studies show that foreign ownership has no or negative effects on firm's performance (Konings, 2001; Mihai, 2012; Mihai & Mihai, 2013; Andow & David, 2016; Phong & Thanh, 2017).

From the Vietnamese market's current situation and academic research findings, the increasing foreign ownership ratio in the firm will improve its performance thanks to the transfer of technology, capital, or management method. This study focuses on foreign ownership's impact on listed firms' performance in Vietnam's stock market. This result provides policy implications with appropriate orientation and orientation and helps managers and investors evaluate and quantify foreign ownership's influence to build an effective business strategy in raising funds.

The remainder of the paper proceeds as follows. The next section reviews the literature and related studies. Section 3 describes the data we use to illustrate the estimation approach and present the econometric model and variables used to test the hypotheses. Section 4 provides the findings and section 5 concludes and puts forward relevant policy implications.

2. Literature Review

2.1. Agency Theory

Mihai and Mihai (2013) claim that the theory regulating the relationship between ownership structure and firm's performance is agency theory. One of the earliest and most representative studies on this theory is Jensen and Meckling's (1976) work. The separation of control and corporate governance will lead to a conflict of interest. The manager can use their managerial authority to self-benefit and make non-profit decisions' benefits of shareholders. From the perspective, firms will benefit when the proportion of foreign ownership increases, as foreign investors require higher corporate governance standards and take on the supervisor's active role. According to Aydin et al. (2007), when firms have foreign investors' participation, they can supervise, control,

or make business managers' recommendations to manage more effectively and avoid business decisions or plans can decrease the value of business results. Foreign investors can also play a supervisory role in firms' internal governance, especially in emerging markets (Lee, 2008; Ongore, 2011; Farrar, 2021; Thanatawee, 2021). If foreign investors assume an active supervisory role, their performance is expected to increase as foreign ownership increases (Lee, 2008; Thanatawee, 2021).

Although according to Jensen and Meckling (1976), foreign investors play an important role in supervising managers and setting high standards of corporate governance, thereby reducing agency costs. However, when foreign ownership becomes concentrated (i.e., the proportion of foreign ownership increases too high), it can negatively affect firm value through the deterrent effect.

2.2. Resource-based Theory

The resource-based theory was proposed by Barney (1991) and later by Acedo et al. (2006). According to this theory, firms gain a competitive advantage by owning tangible and intangible resources that are difficult or costly to obtain. Empirical research by Makhija (2003) concludes that a firm's resources are decisive factors in a firm's value and performance. In emerging markets, the competitive advantage gained from access to resources results from a having ownership structure and effective utilization of policies (He et al., 2016). They argue that resource inequality exists between different types of ownership or, in other words, firm's performance is influenced by different types of shareholders (Aguilera & Jackson, 2003).

Foreign-financial shareholders have good resources and governance, but focus on short-term investments, focus on liquidity, and strive to maximize the stock's market value (O'Sullivan, 2001; Aguilera & Jackson, 2003). This sort of shareholders is perceived to make only a moderate contribution to its operations. In contrast, foreign strategic investors use shares in domestic firms to dominate operating activities, help businesses access new markets, supplement capital, manage human resources and reduce production costs. These shareholders' potential makes it easier for domestic firms to access technological, managerial, and financial resources (Lee, 2008; Farrar, 2021). Therefore, businesses with this group of shareholders have higher performance.

Thus, resource-based theory reinforces the relationship between foreign ownership and firm's performance.

2.3. The Relationship Between Foreign Ownership and Firm's Performance

There have been many empirical studies on the relationship between foreign ownership and corporate

performance worldwide. Douma et al. (2006) used the Ordinary Least Squares (OLS) regression on Indian firm's sample and found a positive effect of foreign ownership on firm performance as measured by ROA and Tobin's Q. Aydin et al. (2007), based on *T*-test, confirmed that ROA of foreign-owned firms is higher than ROA of domestically-owned firms in Turkey. The difference in ROA between the two groups of firms may be due to better foreign-owned firms' ability to supervise, control or manage management measures. Bilyk (2009), using IV-GMM estimation, shows that foreign ownership is positively related to performance (measured by ROA and ROS) and profitability of Ukrainian-based firms. Still, this application mainly comes from foreign shareholders in developed countries such as the United States and the Republic of Cyprus. In Gurbuz and Aybars (2010)' study using Generalized Least Squares (GLS) regression, the minority foreign-owned firms are found to significantly perform better than domestic firms and majority foreign-owned firms in the Turkish stock market. Ongore (2011), using a logistic regression method, finds a positive relationship between foreign ownership and performance as measured by ROA, ROE and dividend yield of firms in Kenya. Nakano and Nguyen (2013) found a positive relationship between foreign ownership and performance (as measured by ROA and Tobin's Q) of Japan's electronics industry. Greenaway et al. (2014), used Generalized Method of Moments (GMM) estimations, to find a positive impact of foreign ownership on performance, and the inverted U-shaped relationship between foreign ownership and Chinese firm's performance (measured by four indicators including ROA, ROS, labor productivity, and total factor productivity). Kao et al. (2019) used the two-stage least squares (2SLS) estimator to conclude that ownership of major shareholders, institutional ownership, foreign ownership and family ownership all have a positive impact on firm's performance in Taiwan (measured by ROA, ROE, Tobin's Q, and market value of equity). Malik and Mansoor (2021) used 2SLS approach to explore the empirical linkage between institutional ownership and firm performance in the emerging Pakistani economy.

In Vietnam, Phung and Hoang (2013) used fixed-effects model (FEM) regression to find a U-shaped relationship between foreign ownership and firm's performance as measured by ROA and Tobin's Q. Vinh (2014a) found a significant positive correlation between foreign ownership and firm performance as foreign ownership was between 5% and 20%. Meanwhile, a negative correlation occurred if foreign ownership held more than 20%, especially the foreign ownership rate is more than 40%, with performance is measured by Tobin's Q. Phung and Mishra (2016), using the GMM regression model, have shown that foreign ownership and firm performance have an inverse U-shaped relationship.

The consistency of the relationship between foreign ownership and firm's performance is still debated. From these perspectives, this study aims to provide more extensive evidence of foreign ownership's effect on listed firms' performance in Vietnam. Foreign ownership in a Vietnamese firm often brings many benefits to shareholders. Therefore, having foreign ownership in companies is expected to help companies operate more efficiently.

The above literature provides abundant material for this study. Referring to it, our hypothesis is stated as follows:

H1: *The higher the foreign ownership level, the higher the listed firm's performance in Vietnam.*

However, according to agency and resource-based theories, when the foreign ownership ratio in an enterprise becomes too high, the performance will gradually peak and gradually decrease. Thus, the second research hypothesis is formed:

H2: *Foreign ownership has an inverse U-shaped relationship with listed firm's performance in Vietnam.*

3. Data and Methodology

3.1. Research Model

Based on the theory and relevant empirical studies on the relationship between foreign ownership and firm's performance, we set up econometric models to analyze empirically the effect of foreign ownership on the firm's performance. The basic econometric model is established as follows:

$$\begin{aligned} \text{PERP}_{it} = & \beta_0 + \beta_1 \text{Fopercent}_{it} + \beta_2 \text{FopercentS}_{it} \\ & + \beta_3 \text{Age}_{it} + \beta_4 \text{Size}_{it} + \beta_5 \text{Liquid}_{it} \\ & + \beta_6 \text{Leverage}_{it} + \beta_7 \text{Capint}_{it} \\ & + \beta_8 \text{Divpayout}_{it} + \beta_9 \text{Invest}_{it} + \varepsilon_{it} \end{aligned}$$

Where the explained variable PERP_{it} is the ROA and ROS of firm at the time. The explanatory variable Fopercent_{it} indicates the proportion of foreign ownership in an firm. FopercentS_{it} is the square of the rate of foreign ownership in the firm. Age_{it} is the firm's age, calculated according to its establishment period and observation period. Size_{it} is the firm's size, measured in \ln (total assets). Liquid_{it} is liquidity, calculated as the ratio of short-term assets to short-term liabilities. Leverage_{it} is financial leverage, calculated as the total debt ratio to total assets. Capint_{it} is capital intensity, calculated as the ratio of fixed assets to total assets. Divpayout_{it} is the rate of dividend payment in cash, calculated by the annual cash dividend per share divided

the profit per share. $Invest_{it}$ is a firm's growth opportunity, measured by the growth rate of its total assets.

3.2. Data

According to the systematic random sampling method, the authors use data collected from audited financial statements, corporate governance reports, and annual reports of 300 non-financial firms listed on Vietnam's stock market in 2015–2019. After collecting enough data on 300 listed firms, we have eliminated companies that do not have enough data continuously for 5 years. Thus, the final sample includes 288 firms listed on the HOSE and HNX with a total number of observations of 1,440.

4. Empirical Results and Discussion

4.1. Statistic Descriptive

Summary descriptive statistics of dependent variables, independent variables and control variables in the research model are presented in Table 1.

The PERP1 variable (ROA) average is 0.0572, ranging from the minimum of -0.2307 to the maximum of 0.7837 with a standard deviation of 0.0639. The mean of the PERP2 variable (ROS) is 0.0791, ranging from -1.2608 to 3.4660 with a standard deviation of 0.1709. The mean value of the Fopercent variable is 0.0896 (8.96%), the minimum of this

variable is 0, and the maximum is 0.8054, with a standard deviation of 0.1308. The mean of the Age variable is 12.91 years. The standard deviation of the variable is 5.2798. This variable's minimum is 2, and the maximum is 57. The Size variable's average is 27.45, with the minimum being 23.93, the maximum being 32.21, and the standard deviation of 1.5502. The Liquid variable's average is 2.2066, with the maximum being 24.1853 and the smallest value being 0.1542. The standard deviation of the variable is 2.7987. The average value of the Leverage variable is about 0.5049 (50.49%), the maximum is 0.9669, the minimum is 0.0110, and the standard deviation is approximately 0.2246. The Capint variable's average is 0.2318, and the standard deviation of 0.12016. The Capint variable's minimum is 0, and the maximum value is 0.9220. The Divpayout variable's mean is 0.5099, and standard deviation is 2.2775. The average of Invest is 0.1698, the maximum is 11.9150, the smallest value is -0.5495 , and the standard deviation of this variable is 0.5552.

Table 2 shows the distribution of the variable Fopercent. In general, the foreign ownership ratio in listed firms in Vietnam is quite limited. About 50% of the sample observations have a foreign ownership ratio below 2.83%. There are 25% of the sample observations with a foreign ownership ratio greater than 12.07%, and only 5% of the sample's observations have a foreign ownership ratio greater than 43.55%.

4.2. Analysis of Correlation Matrix and Variance Inflation Factor

The results from Table 3 show that the absolute value of the correlation coefficient of each pair of independent variables in the model is less than 0.8 (except for two variables on the rate of foreign ownership - Fopercent and FopercentS, due to the variable FopercentS is the square of the variable Fopercent). Thus, it can be concluded that there is no strong linear correlation between the independent variables (Farrar & Glauber, 1967). Besides, the variance inflation factor (VIF) of all independent variables is smaller than 10, so the phenomenon of multicollinearity in the model is not severe (Gujarati, 2003).

4.3. Results and Discussion

Table 4 shows that FEM is the most suitable model among the three regression models. The authors conducted

Table 1: Descriptive Statistics of the Variables in the Model

Variables	Min	Max	Mean	Std. Dev.
PERP1	-0.2307	0.7837	0.0572	0.0639
PERP2	-1.2608	3.4660	0.0791	0.1709
Fopercent	0.0000	0.8054	0.0896	0.1308
Age	20.000	57.0000	12.9132	5.2798
Size	23.9285	32.2088	27.4541	1.5502
Liquid	0.1542	47.7707	2.2066	2.7987
Leverage	0.0110	0.9669	0.5049	0.2246
Capint	0.0000	0.9220	0.2318	0.2016
Divpayout	-4.1105	77.1896	0.5099	2.2775
Invest	-0.5495	11.9150	0.1698	0.5552

Table 2: Description of Distribution of the Variable Fopercent

	Min	p5	p10	p25	p50	p75	p95	Max
Fopercent	0	0	0.0001	0.0024	0.0283	0.1207	0.4355	0.8054

Table 3: Matrix of Correlation Coefficients Between the Independent Variables and VIF

Variables	Fopercent	FopercentS	Age	Size	Liquid	Leverage	Capint	Divpayout	Invest
Fopercent	1.0000								
FopercentS	0.9319	1.0000							
Age	0.1295	0.0943	1.0000						
Size	0.2908	0.2503	0.2112	1.0000					
Liquid	-0.0160	-0.0124	-0.0337	-0.1469	1.0000				
Leverage	-0.0675	-0.0711	0.0503	0.3484	-0.5079	1.0000			
Capint	-0.0863	-0.0871	-0.0164	-0.0613	-0.0804	-0.0715	1.0000		
Divpayout	-0.0094	-0.0124	-0.0073	-0.0125	-0.0108	-0.0111	0.0627	1.0000	
Invest	-0.0165	0.0020	-0.0988	0.0611	0.0517	0.0424	-0.0719	-0.0209	1.0000

Table 4: Testing Regression Model Selection

Test	PERP1	PERP2	Results
F Test Prob > F	6.38 0.0000	3.50 0.0000	FEM is better than Pooled OLS
Hausman Test Prob > χ^2	69.29 0.0000	33.00 0.0001	FEM is better than REM

FEM tests' possible errors, including the heteroskedasticity, autocorrelation, and cross-sectional independence tests. The test results in Table 5 show that FEM appears all three of these phenomena. To overcome FEM's errors, the authors used the estimation method of panel-corrected standard errors (PCSE) proposed by Greene (2018). The discussion will also be conducted based on the PCSE results.

In the model with the dependent variable PERP1 (ROA), 30.07% of the firm performance variation is explained by the above independent variables' differences. The rest is due to other factors putting into the model and error. For the model with the dependent variable PERP2 (ROS), this model's independent variables only explained 11.00% of ROS change. Because P -value (Prob > χ^2) = 0.0000 < 0.05, both models are statistically significant.

The independent variable Fopercent represents foreign ownership in the firm, which is significant for the PERP1 regression model at the 1% statistical significance level. Foreign ownership positively affects the firm's performance as ROA with a positive regression coefficient. This result implies that, under the same conditions as other factors, when the foreign ownership ratio increases by 1%, the firm's performance increases by 16.12%. However, for the PERP2 regression model, foreign ownership is not statistically significant. This result is consistent with hypothesis H1, and also similar to the results of the studies of Aydin

et al. (2007), Bilyk (2009), Douma et al. (2006), Gurbuz and Aybars (2010), Ongore (2011), Srithanpong (2013), Kao et al. (2019) and similar research in Vietnam such as that of Phung and Hoang (2013), Phung and Mishra (2016).

The independent variable FopercentS aims to test hypothesis H2 on the inverse U-shaped relationship between foreign ownership and listed firms' performance. In the PERP1 regression model, the variable FopercentS has a statistical significance of 1%. The regression coefficient has a negative sign, showing that when the foreign ownership rate increases too high, it will cause a negative impact on the business performance of the business as measured by ROA. According to the regression results, under the same conditions as other factors, when the foreign ownership ratio's square increases by 1%, the firm's performance measured by ROA decreases 22.25%. However, the foreign ownership ratio square is not statistically significant for the PERP2 regression model. Furthermore, we find that foreign ownership and performance are linked by an inverted U-shaped relationship. A firm's performance increases with greater foreign ownership up to the range of 36.26%, but after this turning point, more foreigner ownership begins to have negative implications for firm'. This result confirms the hypothesis and is similar to the studies by Viet (2013), Greenaway et al. (2014), Vo (2014a), Phung and Mishra (2016). According to Ananchotikul (2006) and Viet (2013), when the foreign ownership ratio is low, foreign investors (the minority) can play an effective monitoring role and contribute to the reduction of representation costs. Conversely, when foreign investors increase their rate and have sufficient control over the business, they can operate for personal gain and reduce their performance.

The regression results also show that: Firm size positively impacts a firm's performance at the statistical significance of 1% for the model with the dependent variable PERP2. According to the regression results, under the same

Table 5: Regression Results of Two Models PERP1 and PERP2

Variables	Pooled OLS		FEM		PCSE	
	PERP1	PERP2	PERP1	PERP2	PERP1	PERP2
Fopercent	0.192*** (5.93)	0.025 (0.27)	0.079 (1.51)	-0.244 (-1.39)	0.161*** (4.88)	0.032 (0.37)
FopercentS	-0.267*** (-3.88)	0.118 (0.60)	-0.138 (-1.42)	0.152 (0.47)	-0.222*** (-2.95)	0.102 (0.47)
Age	0.001*** (3.09)	0.001 (0.93)	-0.002* (-1.70)	-0.003 (-0.99)	0.000 (1.25)	0.001 (0.39)
Size	-0.001 (-0.66)	0.021*** (6.64)	-0.008 (-1.54)	-0.018 (-1.01)	0.001 (0.58)	0.024*** (3.80)
Liquid	-0.003*** (-4.57)	0.005*** (2.75)	-0.001** (-2.11)	0.003 (1.60)	-0.002*** (-3.58)	0.003 (0.86)
Leverage	-0.124*** (-14.70)	-0.162*** (-6.71)	-0.149*** (-8.21)	-0.117* (-1.92)	-0.141*** (-8.89)	-0.213*** (-4.27)
Capint	0.025*** (3.32)	0.016 (0.76)	-0.079*** (-4.87)	-0.155*** (-2.84)	0.006 (0.67)	-0.060** (-2.14)
Divpayout	0.000 (0.04)	0.000 (0.05)	-0.001 (-1.00)	-0.001 (-0.52)	-0.000 (-0.12)	-0.000 (-0.27)
Invest	0.006** (2.13)	0.034*** (4.39)	0.006*** (2.60)	0.021*** (2.74)	0.005 (1.12)	0.028** (2.14)
_cons	0.118*** (4.07)	-0.458*** (-5.56)	0.400*** (2.88)	0.726 (1.55)	0.094*** (2.81)	-0.469*** (-3.46)
R-squared (R^2)	0.2102	0.1001	0.1224	0.0342	0.3007	0.1100
P-value (Prob)	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Wald test for heteroskedasticity			1.1e+06***	9.4e+07***		
Wooldridge test for autocorrelation			24.577***	88.547***		
Pesaran's test of cross-sectional independence			2.237**	19.938***		

Notes: * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$; T-values are enclosed in parentheses.

conditions as other factors, when the firm's size increases by 1%, its performance increases by 2.4%. However, we don't find a significant coefficient of firm size for the model with the dependent variable PERP1. This result is consistent with the research results of Bilyk (2009), Douma et al. (2006), Gurbuz and Aybars (2010), Mihai and Mihai (2013), Nakano and Nguyen (2013), Vinh (2014a), Andow and David (2016), Nguyen and Nguyen (2020). For listed firms, this same-way relationship makes practical sense, since the firm's size is tied to the ability to generate more profits due to lower cost per unit of product (economies of scale).

The Liquid variable's regression coefficient in the model with the dependent variable PERP1 has a negative sign (-), so the liquidity has a negative impact on performance at the statistical significance of 1%. However, Liquid was not statistically significant in the model with dependent variable PERP2. Thus, when other factors remain unchanged, a 1% increase in liquidity will reduce ROA's performance by 0.2%. Despite affecting, the impact of liquidity on the firms' performance in the sample is not high. The above results are contrary to the results founding in the study of Bilyk (2009), Lee (2008), Phong and Thanh (2017) (not statistically significant) and the study by Phung and Hoang (2013), Phung and Mishra (2016) (positive impact).

Leverage in the regression model with dependent variables PERP1 and PERP2 is statistically significant at 1%. The regression coefficient of this variable in both models that has a negative sign, shows that financial leverage has a negative impact on the firms' performance. According to the regression results, in the absence of other factors, when the financial leverage increases by 1%, the performance calculated by ROA will decrease by 14.1% and the performance as calculated by ROS decreases by 21.3%. This result is similar to the empirical study of Bilyk (2009), Gurbuz and Aybars (2010), Mihai and Mihai (2013), Greenaway et al. (2014), Vinh (2014a,b), Zakaria et al. (2014) and Kao et al. (2019), Nguyen and Nguyen (2020). The use of higher financial leverage reduces the firms' performance. Managers should be mindful of overinvestment, which can lead to the implementation of projects that cause damage shareholders.

Capint variable is statistically significant at 5% for the model with dependent variable PERP2. The regression coefficient of the Capint variable in the PERP2 model has a negative sign (-), showing that financial leverage has a negative impact on the firms' performance. When other factors are unchanged, when capital intensity increases by 1%, ROS will decrease by 6.0%. However, capital intensity is not statistically significant in the model with dependent variable PERP1. In general, capital intensity has a negative impact on the firm's performance. Thus, the high proportion of fixed assets in the structure of total assets may not offset the benefits of lower asset management costs. This result is

similar to the research results of Gurbuz and Aybars (2010), Mihai (2012), Mihai and Mihai (2013).

Invest variable has a positive impact on business performance and is statistically significant at 5% for the model with the dependent variable PERP2. When the growth opportunity (or growth rate of total assets) increases by 1%, performance increases by 2.8% under the same conditions as other factors. For the model with the dependent variable PERP1, the growth chance is not statistically significant. This result is consistent with the empirical research of Mihai (2012), Kao et al. (2019) and research in Vietnam by Vinh (2014b). The growth rate of total assets of an enterprise shows the market position, economic potential, stability, and the firm's resistance to adverse fluctuations. The growth of total assets is also in the business's development trend.

The regression model results with both dependent variables PERP1 and PERP2 show that age of the firm (Age) has no significant impact on firm's performance. This result is similar to the study of Douma et al. (2006), but different from the study of Phung and Hoang (2013), Kao et al. (2019) (that the age of firm has a negative impact on firm's performance), or Gurbuz and Aybars (2010), Mokaya and Jagongo (2015), Phong and Thanh (2017) (that the age of business has a positive impact on firm's performance). Most of the listed firms with a high age are derived from state-owned firms' privatization. These firms have not necessarily operated effectively; even many state-owned firms show signs of loss before privatization and restructuring. Also, newly-established businesses in later years tend to grow rapidly and increase market share through investment in new technologies and active communication. In contrast, older firms may become more conservative and slower to change. Therefore, performance does not depend much on the business's operating time but depends on other factors.

The dividend payout ratio (Divpayout) is not statistically significant in both models. This result is similar to Phung and Mishra's (2016) study results. Still, contrary to the research results of Gurbuz and Aybars (2010), Kao et al. (2019), that is when the dividend payout ratio will help improve the performance of the business (the research results of these authors show a positive relationship). Firm's payment of cash dividends should only be made to a certain extent than the profit earned. But based on the data collected from this study, many listed companies pay very high cash dividends (even when they are in a state of shallow loss, breakeven or profit), preventing the company from doing business enough retained earnings to reinvest in the future. The listed firms will adjust the share price according to the listed companies' dividend payout ratio. Also, suppose the firm does not have sound potential. In that case, the business is ineffective, and it will not be possible to pull the stock price back to the original level before paying the dividend.

Thus, the shareholders' investments will be negative, plus an income tax when shareholders' dividends are returned to their accounts, which can easily cause sell-off, affect the business, cause conflicts of interest between shareholders, and cause business instability's operation.

5. Conclusion and Implications

This study analyzes the relationship between foreign ownership and performance with a sample of 288 non-financial firms listed on the HNX and HOSE in 2015–2019. The regression results show that the higher the foreign ownership ratio, the higher the performance, however, the relationship between foreign ownership and performance is U-shaped. In contrast, when the foreign ownership ratio increases too high, it will reduce the firm's performance. The firm size, liquidity, financial leverage, capital intensity, and growth opportunities have a significant impacts on firms' performance.

The regression results imply that domestic shareholders do not appreciate the participation of foreign shareholders in operating operations and corporate governance. Attracting foreign investment will create conditions to improve business performance. This same-way relationship is of more practical significance in Vietnam because its foreign element will normally bring many benefits in terms of capital and governance. However, the research results also show that foreign ownership ratio have a negatively impact on firm's performance when foreign ownership increases too much, and raised questions about the foreign investor's real purpose to take control of the business and the interests of domestic minority shareholders at that time.

Thus, to achieve the goals of profit growth, improving performance, improving the stock market, and attracting foreign capital flows, the Vietnamese listed companies still need to consider loosening room for foreign investors that leads to increase in foreign ownership ratio in domestic firm. It is also necessary to train domestic managers' professional qualifications and driving skills. Business executives need both foreigners and indigenous people while taking advantage of specialized management capacity industry, and both have an understanding of local cultural identity.

From the positive impact of firm size and growth opportunities to firm's performance, listed companies need to increase total assets, or in other words, increase production and business scale. The inverse relationship between financial leverage and performance shows that using excessive leverage will affect business operations. Thus, firms need to have a large amount of equity to finance operations or fast capital turnover to create more profits and reduce debt use.

Liquidity and capital intensity both have a negative impact on firm's performance. This experimental result presents the difficulty in managing total assets' structure and using the asset component to finance short-term loans. Firms should not maintain a high proportion of fixed assets in the construction of total assets, and should not finance most short-term loans from the short-term assets.

The study sample includes only 288 non-financial companies listed on the HOSE and HNX with 1,440 observations over five years. This research sample only accounts for nearly 40% of the firms listed on the stock market of Vietnam and the research period is quite short (period 2015–2019), so the results may not reflect the current situation of all listed businesses in the research period. Also, research shows the relationship between foreign ownership and firm's performance in terms of a book value. It is impossible to confirm that the companies' data are completely truthful and transparent regardless of the audited reports.

With the paper's limitations, the development of more extensive research directions to overcome this research's shortcomings is necessary. First, the following studies can increase the sample size and the long research period to achieve more general results. Second, if more specific information is disclosed in the future, future studies can measure the effect of foreign ownership coming from the group of developed countries and foreign ownership coming from the group remaining countries. Finally, the following papers can change and diversify the factors that act as control variables in the model to supplement and improve the factors that affect the firm's performance.

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