



Original Article

## Ownership Structure and Debt Financing Decision of Vietnamese Listed Companies

Nguyen Hoang Thai<sup>1,\*</sup>, Nguyen Hoang Thien Son<sup>2</sup>

<sup>1</sup>VNU University of Economics and Business, 144 Xuan Thuy, Cau Giay, Hanoi, Vietnam

<sup>2</sup>Country Road Group, 2/572 Swan St., Burnley VIC 3121, Australia

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**Abstract:** Raising capital not only helps firms to meet the capital needs for production and business's development, but also supports them to endure financial risks. Hence, the problem of proactively choosing a reasonable financing structure between equity and debt to maximize corporate value becomes more and more imperative. This paper aims to investigate the relationship between corporate governance, especially ownership structure, and funding decision of Vietnamese listed firms. The study data include 209 non-financial companies with 1,045 firm-year observations obtained from two main stock exchange in Vietnam, including Hanoi Stock Exchange and Ho Chi Minh Stock Exchange, covering a 5-year period from 2014 to 2018. The finding of this study reveals that CEOs, state government, and foreign ownership significantly impact on capital structure, whilst there is no evidence to support the correlation between board ownership and funding decision. As for capital structure specific control variables, including firm size (Size), current ratio (CAR), cash ratio (OPCFDA), tangibility ratio (PPETA), and profitability (ROA) significantly effect on firm leverage.

*Keywords:* Capital structure, funding decision, corporate governance, Vietnamese listed firm.

### 1. Introduction

Velnampy & Aloy (2012) and Kajanathan & Achchuthan (2013) postulate that managing capital effectively is one of the important elements of finance as a company's profit is directly affected by financing decisions [1, 2].

Prior studies have also emphasized that choosing an optimal capital structure for a firm is a long-term goal [3-5]. According to Chong and Lopez (2007), highly concentrated ownership prefers to issue debt rather than equity as they do not want to risk losing control of their companies [6]. Raising capital on the one hand meets the capital

\* Corresponding author.

E-mail address: [nht0308@gmail.com](mailto:nht0308@gmail.com)

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needs for production and business, but on the other hand, businesses have to bear financial risks. Therefore, the problem of proactively choosing a reasonable financing structure between equity and debt to maximize corporate value becomes more and more imperative. This paper aims to investigate the impact of corporate governance's characteristics, especially ownership structure, on fund raising decision of listed companies in Vietnam.

Each organization has their own reason(s) in selecting and using debt/capital financing. Shleifer and Vishny (1997) conclude that in rising external fund, growing firms are often financed by equity, whereas more mature firms rely more heavily on bank financing [7]. However, a number of studies suggest an opposite view regarding fund raising decision. When determining the optimal level of capital structure, managers often consider the costs and benefits in choosing debt or equity financing. For example, Granham (2000) indicates that firms may prefer to finance by debt due to tax benefit [8]. However, Byoun (2008) argues that the costs of financial distress which measure ex-ante can counterbalance the potential tax benefits that an average firm will obtain when leveraging up [5].

Several studies have indicated that the firm-specific characteristics have significant impacts on the choice of capital structure. Anderson et al. (2004) study demonstrates that creditors concern about board characteristics because they believe that a board with good characteristics can be more responsible and can improve the reliability of financial statement and firm performance, and therefore, they are able to make informed loaning decision based on the board characteristics [9]. Likewise, Campbell and Miguez-Vera (2008) indicate that larger boards are often expected to have a dimensional body of knowledge and experience, hence they are able to enhance the company's sustainable growth and development [10]. As a result, board size has a significant impact on the choice of business strategies and capital structure. Similarly, female directors are expected to be more vigilant in

investment and capital raising decisions [11, 12]. In summary, research on the factors affecting a company's capital structure often focuses on CEO characteristics, board characteristics, or audit committee [13, 14].

In Vietnam, most of the research in this field is aimed at providing empirical evidence on the relationship between corporate governance and capital structure. For instance, in order to investigate the determinant of firm's financial leverage, Mai (2018) conducted a study using 137 non-financial companies listed on Ho Chi Minh Stock Exchange and Hanoi Stock Exchange for the period from 2007 to 2016 [15]. The corporate governance in Mai's study is measured by the size of board of directors, the independent board of directors, the size of audit committee, and the board gender. The result demonstrates that only the board size and board independence have an impact on financial leverage. In addition, Vuong's (2014) study reveals that enterprises with a large revenue balance are more likely to finance by borrowing [16]. The author explains that large companies are able to repay their debt quickly and they also have sufficient capacity to develop and create competitive advantages. In general, studies in Vietnam focus mainly on analyzing the impact of board characteristics on capital structure, it therefore lacks studies on how other aspects of corporate governance, such as ownership structure, affect firms' financial decisions. Thus, the failure to address this aspect of capital structure and debt financing decision raises additional issues in interpreting prior evidence on the influence of corporate governance on capital structure decisions.

Our study provides another proxy to measure corporate governance in determining the influential factors on financing decision of Vietnamese listed firms. Our paper contributes to the literature by examining the effects of ownership structure on how corporate governance influences a firm's capital structure choices after explicitly addressing the aforementioned empirical concerns. To do this, we used the data of 209 non-financial companies

with 1,045 firm-year observations collected from two stock exchange markets in Vietnam, including Hanoi Stock Exchange and Ho Chi Minh Stock Exchange, covering a 5-year period from 2014 to 2018. We use Least squares based on Pooled Ordinary Least Square (Pooled OLS), Fixed-Effect Model (FEM), Random-Effect Model (REM), as well as robustness test to analyze the data. This paper provides a comprehensive understanding of the impact of forms of ownership structure on debt financing decisions of firms from an emerging market perspective.

The rest of the paper is structured as follows. Section 2 presents the literature review and hypotheses development. Section 3 discusses the data and methodology. Section 4 discusses the empirical results, and section 5 concludes the paper.

## 2. Literature review

Over the decade, fund raising decision has become a common focus in corporate finance research. The most prominent theoretical approaches stem from the trade-off theory [17], pecking order theory [18], and market-timing theory [19].

According to the trade-off theory of capital structure, a company chooses between debt and equity financing based on its costs and benefits. For example, Latin American firms have fewer tax benefits and higher costs of financial distress than the U.S. counterparts. As a result, they may prefer to finance by debt due to tax benefit [20]. Besides that, the pecking order theory introduced by Stewart Myers and Nicolas Majluf in 1984, states that managers follow a hierarchy when considering sources of financing: Firstly, through the company's retained earnings, firms choose debt first and equity financing as a last resort [19]. Likewise, the market timing theory is the first order determinant of a corporation's capital structure that uses debt and equity, which suggests that firms are not concerned in choosing between debt and equity financing. They only focus on the financing which is seemingly more

valued by financial market at a certain point in time.

Agency cost plays an important role in funding decision and become a key component to establishing the financial policy of a company. This research focuses on the agency costs arising between shareholder and creditors, and shareholder and managers in determining the factors affecting financial decision of a company. Firstly, according to the 'managerial entrenchment' effect, managers, who act on behalf of shareholder, attain significant power of control [21]. Our study focuses on the two objectives of managerial entrenchment including board of directors and chief executive official. The board of directors represents the stockholders and owners of an organization. The board sets plans, long-term goals and oversees the company. This includes the strategy to achieve that vision, as well as the monitoring of the strategy implementation. Mehran (2003) and Klein (2002) argued that a high total ownership ratio of board members will result in higher monitoring efficiency, more effective division, and ensuring the implementation of responsibilities [22]. Previous studies have emphasized that firm profitability is significantly negatively related to debt financing, therefore, the board of directors prefer to rely more on internal fund rather than expensive debt to avoid disciplinary effects such as risk of insolvency, timely payment of debt repayment and interest [14]. Further, the study of Lefort and Urzua (2008) indicates that, to reduce the extent of agency costs between managers and shareholders, the board of directors usually facilitate equity issuing when the company needs to raise fund [23]. Unlike the board of directors, a chief executive officer (CEO) is the top member management of the company and oversees the company's day-to-day operations, who focuses on more practical aspects of the running of the company. According to Brailsford et al. (2002), the relationship between CEO ownership and debt financing is an inverted u-shaped [24]. This implies that debt financing increases at first as there is an increase in CEO ownership. However, when CEO share

ownership reaches its peak then debt financing may fall because the agency cost between manager and shareholder reduces, and the interest of manager and shareholder is strongly aligned. Abor (2007) suggests that a CEO often prefers to use lower debt to reduce the performance pressures associated with high-debt capital [25]. To be consistent with the abovementioned argument, we test the following hypotheses:

Hypothesis 1: There is a negative relationship between board ownership and debt financing decision.

Hypothesis 2: There is a positive relationship between CEO ownership and debt financing decision.

Secondly, the “expropriation effect” represents another interesting area of our study. Our study focuses on the two aspect of expropriation effect including State Ownership and Foreign Ownership. Previous studies indicate that a firm with high state ownership is normally financed by debt rather than equity [26]. Huang, Lin, and Huang (2011) pointed out three main reasons behind debt financing decision [26]. Firstly, high state ownership firms may have better access to the debt market as they have less chance of bankruptcy due to government’s guarantee. Secondly, with debt financing shareholders are able to avoid share dilution or to maintain their control. Thirdly, the conflict of interest between owners and managers are more serious in firms with a high level of state ownership due to the voting and cash flow rights. Likewise, the studies of Kapeliushnikov et al. (2013) and Pöyry and Maury (2010) also found that debt financing is heavily used in firms with high state ownership [27, 28]. In recent decade, emerging markets have been one of the hottest investment areas for global equity investors. As a result, the impact of foreign investors on firm activities increases [29]. According to Zou and Xiao (2006), foreign investors normally face more serious problem with information asymmetry than domestic investors [30]. To reduce their investment risk, foreign investors often hold diversified portfolio and the proportion of shareholding in each

portfolio is relatively low. Therefore, firms with high level of foreign ownership tend to use debt financing in order to avoid losing control. To be consistent with the above-mentioned argument, we test the following hypotheses:

Hypothesis 3: There is a positive relationship between state ownership and debt financing decision.

Hypothesis 4: There is a positive relationship between foreign ownership and debt financing decision.

### 3. Methodology

This section discusses the empirical relationship between the ownership structure and the firms’ choice of capital structure of Vietnamese listed firms. To test the relationship between ownership and capital structure, we used the following model:

$$\text{LEVERAGE}_{ij} = \beta_0 + \alpha_1 * \text{BOwn}_{ij} + \alpha_2 * \text{CEOOwn}_{ij} + \alpha_3 * \text{MajorStaOwn}_{ij} + \alpha_4 * \text{FOwn}_{ij} + \alpha_5 * \text{ROA}_{ij} + \alpha_6 * \text{SIZE}_{ij} + \alpha_7 * \text{PPETA}_{ij} + \alpha_8 * \text{OPCFTA} \quad (1)$$

Table 1 defines the model variables.

To test our hypotheses, we measure a firm’s financial leverage as the ratio of total debts to total assets. Several studies, such as Vithessonthi and Tongurai (2015); Huang, Lin and Huang (2011); Poyry, Salla and Benjamin (2010), used this ratio as a measure of financial leverage [31, 26, 28].

To test the effect of ownership structure on financial leverage, we use four measures of ownership structure including board ownership, CEO ownership, state government ownership, and foreign ownership, which are in line with prior studies such as Nguyen (2017); Poyry, Salla and Benjamin (2010); Lefort, and Walker (2003) [32, 28, 23] Board ownership is measured as total percentage of shareholding by all board members. CEO ownership is measured as total proportion of share held by CEO. State ownership is calculated as total share held by state government. Lastly, foreign ownership is measured as total percentage of share held by foreign investors.

Table 1: Definition of variables (for equation 1)

Variable		Measurement
Leverage	LEVERAGE	Total Debt/Total Asset
Board Ownership	BOwn	Total percentage of shareholding by all Board members
CEO Ownership	CEOOwn	Percentage of share held by CEO
StateGovernmentOwnership	StaOwn	Total percentage of share held by state government
Foreign ShareholderOwnership	FOwn	Total percentage of share hold by foreign shareholders
ROA	ROA	The ratio of earnings before interest and taxes to total assets.
Size	SIZE	The natural logarithm of total assets.
Current Ratio	CAR	Current Asset/Current Liability.
Property, Plan, and Equipment	PPETA	The ratio of net property, plant, and equipment to total assets
Operating Cash Flow	OPCFTA	The ratio of net cash flow from operating to total assets.

Source: Data analysis from STATA software.

We include a large set of firm-level control variables to control for firm-specific characteristics that might influence the firm's financial leverage. This includes firm size (SIZE), current ratio (CAR), cash ratio (OPCFTA), tangibility ratio (PPETA), and profitability (ROA) as firm-level control variables.

We use return on asset (ROA), measured as the ratio of earnings before interest and taxes (EBIT) to total assets, to control for the influence of profitability on leverage.

In addition, firm size, which is measured by the natural logarithm of total assets, is also used as second control variable. The studies of Berger, Ofek, and Yermack (1997); Huang, Lin and Huang (2011); Vithessonthi and Tongurai (2015); suggest that firm size (SIZE) plays an important role in helping a firm access capital market and determining the transaction cost [14, 26, 31].

The third control variable is tangible asset ratio. Similar to Margaritis and Psillaki (2010),

the tangibility ratio (PPETA) is measured as the ratio of fixed assets to total assets. Tangible asset ratio is often interpreted the ability to use collateralized debt.

The current ratio (CAR) is calculated as the ratio of current assets to current liabilities. The current ratio measures the extent to which a firm has enough liquid assets to pay its short-term debt obligations.

Firms with sufficient cash are better prepared to absorb liquidity shocks. Therefore, we control cash holdings by using the cash ratio (OPCFTA), which is measured as the ratio of net operating cash flows to total assets.

This study is based on the official data published by listed firms for the various years covering period from 2014 to 2018. We obtain firms' specific data from the annual report of each organization. For the assurance of data validation, we apply the following data requirements in our sample to exclude abnormal cases. First, based on different regulatory frameworks, financial firms are excluded from

this study. Second, we exclude all firms listed after December 31, 2014, and firms that are unable to collect necessary data. The final data set includes 1,045 firm-year observations with 209 listed firms. To minimize outliers and possible data recording errors, we winsorize all variables at the 5th and 95th percentiles

We use Hausman tests to decide whether fixed-random-effects are appropriate. The results of the Hausman tests suggest that the fixed-effect models are preferred to the random-effects model.

## 4. Result

### 4.1. Descriptive statistics

Table 2 presents a summary statistic of the key variables used in this study over the period 2014-2018. There is a wide variation in ownership structure and leverage measures across the sample companies. The result shows leverage exhibits a mean score of 51.13%, board ownership with a mean score of 11.22% and CEO ownership with a mean score of 3.31%. Foreign Ownership and State ownership exhibit a mean score of 13.96% and 18.5%, respectively. The average total current ratio (CAR) of the sample firms is 1.78% while the tangibility ratio (PPETA) is 21.82%. The mean ratio of the cash ratio (OPCFTA) is 5.43%, and the standard deviation is 10.95%. For the profitability ratio (ROA) held by listed firms, the mean score of ROA is 11.67% with a standard deviation of 19.54%.

Table 2: Descriptive statistics (keys variables)

Variable	Obs	Mean	Std. Dev.	Min	Max
LEVERAGE	1,045	0.511296	0.2161681	0.072917	0.8964695
BOwn	1,045	0.1122407	0.1253731	0.0001482	0.4003714
CEOOwn	1,045	0.0330583	0.0468512	0	0.1406725
Fown	1,045	0.1396336	0.1501609	0	0.490593
StaOwn	1,045	0.1849552	0.2404669	0	0.7421
CAR	1,045	1.78531	0.9970063	0.4285445	3.857482
PPETA	1,045	0.2181545	0.1819232	0.0016056	0.6526606
OPCFTA	1,045	0.0543313	0.1095428	-0.2195854	0.389371
Size	1,045	11.91114	0.6516134	10.33606	13.68225
ROA	1,045	0.116662	0.1954284	-4.346101	0.9821288

Source: Data analysis from STATA software.

Table 3: Pearson correlation coefficients

	Leverage	Bown	CEOOwn	Fown	MajorStateO	CAR	PPE	NOpCFTA	Size3	ROA
Leverage	1									
Bown	0.0964 <sup>**</sup>	1								
CEOOwn	0.0703 <sup>*</sup>	0.719 <sup>***</sup>	1							
Fown	-0.281 <sup>***</sup>	-0.148 <sup>***</sup>	-0.117 <sup>***</sup>	1						
StaOwn	-0.0613 <sup>*</sup>	-0.483 <sup>***</sup>	-0.393 <sup>***</sup>	-0.0623 <sup>*</sup>	1					
CAR	-0.741 <sup>***</sup>	-0.110 <sup>***</sup>	-0.0499	0.216 <sup>***</sup>	0.0565	1				
PPETA	-0.0739 <sup>*</sup>	-0.0773 <sup>*</sup>	-0.121 <sup>***</sup>	0.0247	0.198 <sup>***</sup>	-0.278 <sup>***</sup>	1			
OPCFTA	-0.266 <sup>***</sup>	-0.129 <sup>***</sup>	-0.141 <sup>***</sup>	0.0937 <sup>**</sup>	0.196 <sup>***</sup>	0.126 <sup>***</sup>	0.298 <sup>***</sup>	1		
Size	0.238 <sup>***</sup>	-0.109 <sup>***</sup>	-0.116 <sup>***</sup>	0.395 <sup>***</sup>	-0.0127	-0.152 <sup>***</sup>	0.0287	-0.0741 <sup>*</sup>	1	
ROA	-0.140 <sup>***</sup>	-0.0489	-0.0258	0.115 <sup>***</sup>	0.0720 <sup>*</sup>	0.0955 <sup>**</sup>	-0.0198	0.126 <sup>***</sup>	0.0566	1

Note: This table reports correlation coefficients between key variables for a sample of 1,045 firm-year observations for the period 2014-2018.  
 \*, \*\*, and \*\*\* represent statistical significance at the 10%, 5%, and 1% levels, respectively.

Source: Data analysis from STATA software.

## 4.2. Empirical result

Table 4: Regression models

	(1)	(2)	(3)
Variables	Pool-OLS	FEM	REM
Bown	-0.0058	-0.0536	-0.0058
	-0.0454	-0.0492	-0.0454
CEOOwn	0.207**	0.272***	0.207**
	-0.103	-0.104	-0.103
Fown	-0.244***	-0.150***	-0.244***
	-0.0344	-0.0386	-0.0344
StaOwn	0.0255*	0.0376***	0.0255*
	-0.0143	-0.0143	-0.0143
CAR	-0.107***	-0.0850***	-0.107***
	-0.0045	-0.0048	-0.0045
PPETA	-0.176***	-0.110***	-0.176***
	-0.024	-0.0257	-0.024
OPCFTA	-0.0499**	-0.0203	-0.0499**
	-0.0195	-0.0186	-0.0195
Size	0.125***	0.242***	0.125***
	-0.0107	-0.017	-0.0107
ROA	-0.0407***	-0.0387***	-0.0407***
	-0.0104	-0.0099	-0.0104
Constant	-0.716***	-2.177***	-0.716***
	-0.13	-0.206	-0.13
Observations	1,045	1,045	1,045
Number of Firms	209	209	209
R-squared	0.687	0.484	
Standard errors in parentheses			
*** p < 0.01, ** p < 0.05, * p < 0.1			

*Note:* This table presents panel OLS regressions, Fixed Effect Model, and Random Effect Model of Financial Leverage (LEVERAGE).

*Source:* Data analysis from STATA software.

We reject hypothesis (1) as the coefficient of BOwn is not significant on the leverage. In other words, board ownership does not have any impact on the debt financing decision in the context of Vietnamese listed firms. The main responsibility of the board is to set plans, long-term goals and oversees the company. Financing decision requires a lot of consideration and is out of the board duty.

Hypothesis (2) is supported as the coefficient of CEOOwn is negative and significant ( $p < 0.001$  in model 2 and  $p < 0.05$  in models 1 and 3). Thus, the greater the CEO ownership, the less debt financing is used. Our finding is also consistent with previous studies [24, 25]. CEOs employ lower debt to reduce the performance pressures associated with high-debt capital.

Some partial support is found for hypothesis (3). The coefficient of StaOwn is positive and



significant for only model 2 ( $p < 0.001$ ). This means that firms with high state ownership often have better access to the debt market due to government guarantee. This finding is consistent with studies conducted by Kapeliushnikov et al. (2013) and Poyry and Maury (2010) [27, 28].

The Fown coefficient shows a negative and significant effect on firm leverage ( $p < 0.001$ ). This may be due to the fact that firms with high proportion of foreign ownership have more funding sources to substitute debts because of their outstanding management skills, wide network of relationship, superior technology, strong brand name and reputation [38]. Instead of using debts, increasing capital financing such as rising foreign ownership is a good way to reduce not only over-investment problems caused by managers, but also the agency cost between managers and stockholders. This finding is consistent with studies conducted by Nguyen (2017), Phung and Le (2013) [33, 34].

As for financial leverage decision specific control variables, firm size (Size), current ratio (CAR), the cash ratio (OPCFTA), the tangibility ratio (PPETA), and profitability (ROA) show significant effects on firm leverage.

Table 4 result shows ROA has a negative and significant effect on firm leverage ( $p < 0.001$ ). In fact, ROA is used to control for the influence of profitability of firms. The increase in profits could cease the predictability of future returns and reduce the impact of information asymmetry. Besides that, most empirical studies such as Booth et al. (2001), Huang and Song (2006), and Frank and Goyal (2009) support the pecking order theory, which argues that profitable firms will use less debt because of excess of internal sources of fund [35-37].

Firm size has a positive and significant impact on firm leverage ( $p < 0.001$ ). One interpretation of why firm size matters in funding decision is because it facilitates firms to access capital market and determine the transaction cost. As a result, firm size often figures in different financial constraint measures.

Tangibility ratio (PPETA) has a negative and significant effect on firm leverage ( $p < 0.01$ ). Consistent with the study of Margaritis and Psillaki (2010), tangible asset ratio shows a significant and negative impact on leverage. This means that, firm with higher tangible assets tend to use more capital financing.

Table 5: Robustness test

Variable	Variable definitions	Leverage	
		Robust Test	
		$\beta$	S.E
Bown	Board Ownership	-0.0536	-0.0492
CEOOwn	CEO Ownership	0.272***	-0.104
Fown	Foreign Ownership	-0.150***	-0.0386
StaOwn	State Ownership	0.0376***	-0.0143
CAR	Current Ratio	-0.0850***	-0.00479
PPETA	Tangible Asset Ratio	-0.110***	-0.0257
OPCFTA	Operating Cash Flow Ratio	-0.0203	-0.0186
Size	Size	0.242***	-0.017
ROA	ROA	-0.0387***	-0.00992
	Constant	-2.177***	-0.206
	Observations	1,045	
	Number of Firms	209	
	R-squared	0.484	

\*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$

Source: Data analysis from STATA software.

Finally, our result also shows that firms' cash ratio (OPCFTA), positively and significantly affect firm leverage ( $p < 0.001$ ). Undoubtedly, firms with sufficient cash are better prepared to absorb liquidity shocks, therefore they tend to use more debt financing.

#### 4.3. Robustness test

Although the results presented are robust across different model specifications, we perform further tests of robustness of our results. First, all the continuous variables are winsorized using 1% level at both tails to eliminate potential outliers and all models are re-estimated. However, the results do not change qualitatively. Furthermore, to control for endogeneity problem, following a number of studies, for example Croci, Gonenc, and Ozkan (2012), and Ozkan (2011), the values of all independent variables (in table 5) are replaced with their lagged values treated as potential causes of endogeneity [38, 39]. However, the results remain largely unaltered since the correlations between these variables and VIF are within an acceptable range.

### 5. Discussion and conclusion

This study investigates the relationship between ownership structure and funding decision of Vietnamese listed firm. We found that CEO ownership, state government ownership, and foreign ownership significantly affect funding decision, whilst there is no relationship is found between board ownership and capital structure.

Explicitly, to reduce the performance pressures associated with high-debt financing, CEO tend to use more capital financing. Equity financing places no additional financial burden on the company. Since there are no required monthly payments associated with equity financing, the company has more capital available to invest in growing the business. Further, in capital structure decisions, the agency theory framework recognizes the financial

distress and bankruptcy as agency costs of debt. Therefore, in developed economies in order to avoid these costs, large external shareholders hesitate to rely on debt financing in the long run. However, Vietnam large shareholders are involved in active monitoring and support debt in order to protect their interest and control, which they may lose due to dispersed ownership. This phenomenon may exist based on the assumption that with more voting and controlling power they can protect their interest. In addition, high state ownership often has better access to the debt market due to government guarantee. Therefore, firms with a high state government ownership often use more debt financing. Furthermore, firms with a high proportion of foreign ownership usually have more available funding sources to substitute debts. Besides that, rising fund from capital also helps to reduce the over investment problems and reduce agency cost between managers and stockholders. Hence, firms with high foreign ownership tend to use more equity rather than debt financing.

As for financial decision specific control variables, including firm size (Size), current ratio (CAR), cash ratio (NCFOTA), tangibility ratio (PPETA), and profitability (ROA), are found to have significant effects on firm leverage. Firstly, we investigate how firms' growth opportunities are related to financing decision. The increase in profit leads to the enhancement of the predictability of future returns, the decline of information asymmetry between insiders (managers, employees), and shareholders (stakeholders, investors). As a result, firms are likely to improve their brand and reputation which enable them to access the capital market. In addition, firm size is also used in this study as control variable for financing decision. The finding shows that firm size has a positive and significant impact on fund raising decision. Apparently, firm size plays an important role in reducing transactions cost and help reduce pressure on financial constraint. Also, large firms are more likely to have access to long term debt than small firms. Furthermore,

tangible asset ratio is another control variable for funding decision in this study. According to Byoun (2008), firms with higher collateral value are likely to face fewer constraints on borrowing and therefore have greater access to medium to long term debts [5]. Interestingly, tangible asset ratio shows a significant and negative impact on leverage. This means that, a firm with higher tangible assets tends to use more capital financing. Finally, our study uses cash ratio to control cash holding. The result shows that firms' cash positively and significantly affect firm leverage. Undoubtedly, firms with sufficient cash are better prepared to absorb liquidity shocks, therefore they tend to use more debt financing.

While this study sheds light on the extant literature regarding the relationship between corporate governance, measured by ownership structure, and firm financial decision, it is subject to some limitations. Some of the important variables typically deployed in studies of this nature, such as chairman ownership, audit committee ownership, and major shareholders, were not included in the study due to the unavailability of panel data for these variables. Another limitation of this study is that we only use data of listed companies for the period from 2014 to 2018. Future research may focus on expanding the sample to include firms not covered by these databases with data from 2018 forward.

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