

The impact of agency cost on firm performance: A comparison between private and privatized corporations

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Abstract:

Research on agency cost in the context of Vietnam abounds. However, most of these studies are based on qualitative design and confirm the existence of agency cost in Vietnamese companies rather than estimate the specific agency cost. This study was carried out to determine the impact of agency cost (proxies are asset turnover ratio and general and administrative expense ratio) on firm performance (proxy are TobinQ) of 100 companies listed on Vietnam stock market during the nine-year period from 2010 to 2018, and the difference in agency cost between privatized corporations (currently dominated by state- ownership) and private corporations (only private ownership). The research used a mixture of quantitative method, positivism philosophy and deductive approach. Findings show that agency cost and state ownership impact on firm performance negatively and significantly, while growth opportunity and capital structure have positive influence on firm performance. The study also reveals that agency cost of privatized corporations is higher and has more negative influence on firm performance than that of private corporations.

Keywords: Agency cost, firm performance.