

Agency cost, firm performance and capital structure: The case of listed companies in Vietnam

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Abstract:

Agency cost is a prevalent topic among academic society, however, this issue has not been fully examined in Vietnam which is a typical transitional economy with distinguished features from other developing countries. Although most of these studies are based on qualitative research and confirm the existence of agency cost in Vietnamese companies, they cannot estimate specifically the agency cost. This study is carried out to determine the impact of agency cost (proxies are asset turnover ratio and general and administrative expense ratio) on firm performance (proxy is ROE) of 200 companies listed on Vietnam stock market during the 12 year period from 2008 to 2019, and to figure out the differences in agency cost of privatized corporations (currently dominated by state ownership) and private corporations (only private ownership). Furthermore, the role of capital structure on firm performance is also examined to test whether capital structure can control agency cost in two groups of companies. The research is conducted by using the mixture of quantitative method, and deductive approach. The research findings show that agency cost in privatized firms has more negative influence on firm performance than that of private firms. Furthermore, capital structure and state-ownership impact on firm performance negatively and significantly, while profit growth and country investment have a positive impact on firm performance. Moreover, the differently negative impact of capital structure on firm performance of two groups is also analyzed which can suggest further and intensive research in the future.

Keywords: Agency cost, firm performance, capital structure.