DOCTORAL THESIS SUMMARY

PhD Candidate: **NGUYEN THANH CUONG**

Topic of dissertation: ***The effect of capital structure on firm value for Seafood processing enterprises in the South Central region of Vietnam***

Major: Economics in Finance and Banking   Major Code: 62.31.12.01

Training institution: University of Economics and Law

Instructors:

1) Prof. PhD. NGUYEN THI CANH - University of Economics and Law
2) Associate. Prof. PhD. NGUYEN HONG THANG - HCMC University of Economics

COMPENDIUM CONTENT

1. Research objectives and subject of the thesis

Firstly, the thesis employs an advanced panel threshold regression estimation developed in 1999 by Hansen to analyze the effect of capital structure on firm value. *Secondly,* the thesis analyzes the determinants of capital structure. *Thirdly,* the thesis proposes some solutions and capital restructuring plan for Seafood processing enterprises in the South Central region of Vietnam (SEASCRs).

2. Research methods in use

In this thesis, qualitative research methods and quantitative research methods are used. For quantitative methods, an advanced panel threshold regression model developed by Hansen (1999) is applied to test the panel threshold effect of capital structure on firm value for Seafood processing enterprises in the South Central region of Vietnam. In addition, the estimation methods for panel data are used to investigate the determinants of capital structure for Seafood processing enterprises in the South Central region of Vietnam. Hausman's specification and Breusch Pagan Lagrange test are performed in order to test appropriate model for the study.

3. Main results and conclusion

The empirical results strongly indicate that triple threshold effect exists between debt ratio and firm value when BVE (book value of equity plus long- term debt) is selected to proxy firm value. However, when ROE (book value of earnings after taxes on book value of equity) is selected to proxy firm value, the result shows that there exists double

thresholds effect between debt ratio and firm value. These results show that the relationship between capital structure and firm value has a nonlinear relationship representing an convex Parapol shape.

The results also indicate that random effects model should be appropriate for this study. Accordingly, the findings of this study justify the hypothesis that there is a negative relation between the debt ratio of the firms and their profitability, their tangible assets, their growth opportunities, their liquidity and their business risk. Besides, size by assets and interest expense appears to maintain a positive relation with the debt ratio of the firms. According to the dummy variable, there is a differentiation in the capital structure among the firms with a debt ratio greater than 57.39 per cent and those with a debt ratio lower than 57.39 per cent. In addition, according to the dummy variable there is a differentiation in the capital structure among the firms with different types of ownership and in various regions. These results are consistent with the Trade-off theory and Pecking order theory.

From the above mentioned findings, there will be several implications for Seafood Processing Enterprises in the South Central region of Vietnam in using financial leverage. *Firstly,* SEASCRs should not use loans over 57.39%. To ensure and enhance the firm value, the scope of the optimal debt ratio should be less than 57.39%. *Secondly,* for SEASCRs currently having debt ratios greater than 57.39%, managers can apply the models that are developed here in order to set a target level, and then gradually move towards it so as to maximize firm value. *Thirdly,* the firms using debt below optimal range may employ more debt to get the benefits of tax shield that increases the firm value.

INSTRUCTORS   Ph.D CANDIDATE

NGUYEN THANH CUONG