**DETAILED INFORMATION ON THE THESIS**

Thesis title: THE IMPACT OF OVERINVESTMETN ON FIRM PERFORMANCE AMONG VIETNAM’S LISTED COMPANIES

Major: Banking – Finance Index: 62340201

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1. **THESIS SUMMARY**

Investment, debt, and dividend policies are regarded as important financial policies influencing firm performance. The thesis examines the impact of overinvestment on firm performance as well as explicitly clarify the moderation role of debt and dividend policies towards the impact of overinvestment on firm performance. The thesis restores to two fundamental theories – Agency Theory and Free Cash Flow Theory – to argue the influence of overinvestment on firm performance and the interactive effect of either debt policy or dividend policy on the relationship between overinvestment and firm performance.

The thesis sticks to three main criteria in data collection: (1) only listed companies are chosen because their financial figures are strictly controlled by the market through a strict accounting and auditing procedure, (2) the data are collected from the year 2009, but the data for the regression models start in 2011 because the research wants to remove the effect of the 2008 Global Financial Crisis, causing high fluctuations in business operations, and (3) only non-financial companies (excluding commercial banks and insurance companies) are examined because financial companies have significant differences in the structure of assets and equities compared to non-financial ones. As a result, the thesis collects data from the source of FiinPro including 548 non-financial companies listed on Hanoi and Ho Chi Minh Stock Exchange during 2009 – 2019.

The main independent variables comprise of overinvestment, debt policy, and dividend policy. Overinvestment can be measured from the positive error terms predicted through Investment Demand Function. Debt policy is based on the ratio of total debts over total assets, and dividend policy can be calculated by the corporate payout ratio. The dependent variable – firm performance – is proxied by the ratio of earnings over total assets. With the assumption of the dynamic approach for the regression models, the thesis applies the estimation technique of System Generalized Methods of Moments (SGMM) to deal with the endogenous problem caused by the presence of the lagged dependent variable. The estimated results point out that (1) Vietnam’s listed companies show the signal of overinvestment, (2) overinvestment has a negative effect on firm performance, and such an impact varies from industry to industry, (3) debt and dividend policies can moderate the harmful effect of overinvestment on firm performance, and (4) corporate managers and financial investors will be recommended with appropriate policies on financial management as well as investment strategies.

1. **NEW FINDINGS FROM THE THESIS**

Based on domestical and international empirical studies on the investigation of overinvestment and firm performance, the author figures out four research gaps: (1) previous studies measured overinvestment based on current and non-current assets. Its limitation is that it does not show overinvestment under the circumstance of high free cash flows and that overinvestment in Vietnam is mainly attributed to investment diversification, off-sector investment, and tendency-based herding investment without professional analyses. In the thesis, the author employs the total financial investment (short and long-term investment) to represent overinvestment so as to capture the characteristics of investment among Vietnamese corporate enterprises; (2) previous studies have only focused on the influence of overinvestment on firm performance but have not analyzed the interaction between overinvestment and debt/dividend policy. The thesis explains the moderation role of both debt and dividend policy in the impact of overinvestment on firm performance, which remains an untouched research aspect in Vietnam; (3) previous studies have not mentioned the dynamic approach in the determinants of firm performance although firm performance in the past has been demonstrated in other empirical studies to explain current firm performance and the lagged dependent variable causes the endogenous problem. The thesis applies the estimation technique SGMM to deal with endogeneity caused by the lagged firm performance; (4) there exist the different characteristics among various industries in terms of investment, financial leverage, and dividend payouts. Besides, firm size, asset structure, and growth opportunities vary from industry to industry. Therefore, the thesis examines the differences in overinvestment as well as firm performance based on the industry classification.

By filling these research gaps, the thesis is the first to address these pressing problems, making contributions to the academic and practical aspect in corporate finance. Specifically,

*- Contributions from the academic aspect:* (1) on the basis of arguments,the author synthesizes theories and concepts related to overinvestment and firm performance. The research provides various measurements of overinvestment and adopts the most suitable one employed in the case of Vietnamese enterprises. The author also demonstrates the effect of overinvestment on firm performance among Vietnam’s listed companies, hence supporting Agency Theory in explaining that agency conflicts are the main cause of overinvestment and that overinvestment deteriorates firm performance;(2)the author investigates the moderation role of debt and dividend policies towards the impact of overinvestment on firm performance by analyzing the interaction variable based on the dynamic approach with the SGMM technique. The author also finds out the differences among industry-based companieswhich have not examined in previous studies. Through the analysis of the interaction effect, the author broadens the viewpoint of Agency Theory and Free Cash Flow Theory. Debt and dividend policies can help adjust free cash flows within corporate enterprises. The free cashflows are considered as an instrument harnessed by corporate managers to boost overinvestment, so the intervention into the free cash flows can lessen agency conflicts and overinvestment;(3) the author contributes to empirical studies relevant to overinvestment, expanding the perspective on the problem of overinvestment in Vietnam. Instead of identifying the determinants of overinvestment, the research demonstrates the true impact of overinvestment on firm performance and the way companies can intervene to mitigate the negative effect of overinvestment on firm performance.

*- Contributions from the practical aspect:* the research findings will become useful references for further research related to overinvestment among Vietnam’s corporate enterprises. The classification of overinvesting companies across industries to examine the different impact of overinvestment on firm performance lays the foundation on the examination of companies regarding investment policy in relation to other financial policies. In addition, the author gives policy recommendations for corporate enterprises and investors based on the research findings. In case overinvestment has a negative effect on firm performance, companies should provide certain solutions to lessen the problem of overinvestment (using debt and dividend policies as what has been demonstrated in the thesis), and investors should avoid putting their investment funds in overinvesting companies. As a consequence, different stakeholders can employ estimated results from the thesis to make suitable decisions under specific circumstances.

1. **PRACTICAL IMPLICATIONS OR LIMITATIONS REQUIRED FURTHER RESEARCH**

Research findings, results, and contributions lay the foundation for the examination of a company’s investment policy in relation with other financial policies in practice. With regard to corporate enterprises, they should figure out some measures to mitigate the problem of overinvestment with the use of debt and dividend policies. Regarding investors, they should avoid investing in companies with the signal of overinvestment.

With certain limitations in the research scope and duration, the thesis points out some problems required to be expanded in further research including (1) expanding the research scope to unlisted companies, (2) extending the research period to be longer than 11 years, (3) investigating the inter-moderation among overinvestment, debt policy, and dividend policy or among free cash flows, overinvestment, debt policy, and dividend policy.