THE RELATIONSHIP BETWEEN
CAPITAL STRUCTURE AND PERFORMANCE
OF VIETNAMESE FIRMS IN AGRICULTURAL SECTOR

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ABSTRACT

This study examines the capital structure and firm’s performance of Vietnamese agricultural firms for the period from 2010 to 2014. In addition, this study also examines the relationship between capital structure and the firm's performance. Capital structure is represented by four variables, which are (i) short term debt to total assets, (ii) long term debt to total assets, (iii) total debt to total assets and (iv) total debt to total equity. Firm's performance is represented by five variables, which are (i) return on asset, (ii) return on equity, (iii) gross profit margin, (iv) earnings per share and (v) price earnings ratio. This study uses secondary data obtained from 51 agricultural firms listed on the Hanoi Stock Exchange and the Ho Chi Minh Stock Exchange. The correlation coefficients between the variables of capital structure and firm’s performance indicate there is a relationship between capital structure and firm’s performance. Specifically, the findings of the study show that capital structure has positive relationships with return on equity and price earnings ratio but negative relationship with return on assets, gross profit margin and earnings per share.

Keywords: capital structure, firm’s performance, agricultural sector.
ABSTRAK


Pekali korelasi antara pemboleh ubah struktur modal dan prestasi firma menunjukkan terdapat hubungan antara struktur modal dan prestasi firma. Secara khususnya, hasil kajian itu menunjukkan bahawa struktur modal mempunyai hubungan positif dengan pulangan ke atas ekuiti dan pendapatan harga nisbah tetapi mempunyai hubungan negatif dengan pulangan atas aset, margin keuntungan kasar dan pendapatan sesaham.

Kata kunci: struktur modal, prestasi firma, sektor pertanian.
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Following the established Buddhist tradition: May the writing of this thesis benefit all sentient beings without exception.
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CHAPTER ONE

INTRODUCTION

1.1 Introduction

This chapter presents background of the study, problem statements research questions and research objectives. In addition, scope of the study, significance of the study and organization of the study are presented.

1.2 Background of Study

The capital structure is a financial term that describes method of raising capital to run businesses. According to Titman and Grinblatt (1998), capital structure can include both the outside and inside funds of the firm. The capital structure refers to the way businesses seeking financing plans through a combination of debt and equity. In other words, the capital structure is the combination of different kinds of equities and liabilities (Culp, 2011). For example, a combination of short term debt and long term debt with preference shares and ordinary shares (Riahi-Belkaonui, 1999). Optimal capital structure is a plan, in which businesses may a minimal capital expenditure and the highest return (Bierman Jr & Smidt, 2012). Besides that, the firm will have higher profits if optimal ratio of debt to equity could be achieved (maximizing firm’s value and minimizing the cost of capital). Thus, obtaining optimal capital structure is the important task of the firm.

There are a great number of studies on the relationship between the firm’s capital structure and its performance (Roden & Lewllen, 1995; Staking & Babbel, 1995; Singlant & Chen, 2009; Pratheepkanth, 2010; Hamid, 2011; Fang & Song, 2014).
The contents of the thesis is for internal user only
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