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A ANALYSIS OF THE IMPACT OF FINANCIAL MANAGEMENT ON FINANCIAL PERFORMANCE IN LISTED COMPANIES ON THE STOCK MARKET IN VIETNAM

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The performance in finance and business is a primary concern of the entrepreneurs, manufacturers, and businessmen. With the aim to improve the business performance, the entrepreneurs need to speed up various remedies including: technical solutions, business manufacturing organization; financial management solutions; operation and human resources management; marketing; and market exploitation… to make use of resources. Through the study, the author analyzed the impact of various factors to performance in listed companies on Vietnam' stock market and provides some solutions to enhance the financial performance in those companies.

Keyword: *Financial governance, financial performance, the listed company*

1. Theoretical framework

1.1. Definition of Financial governance

Firstly, it is necessary to distinguish the difference between governance and management. The origin of governance was the separation of ownerships and management in public enterprises. The capital investors expected that investing into the business would be potential and profitable, so they can benefit in the future. However, many investors lack time and qualifications to operate the business. Thus, many investors can hire the managers who have high qualifications to have responsibility for handling the operations of the company and ensure that many plans and strategies of the company can make profits in the long run.

Governance is the intentional impact of the governance entity on the governance object to achieve predefined goals. According to the Wikipedia encyclopedia, "Governance is defined as the process of coordinating tasks to achieve the highest performance and efficiency". Based on this basic concept, it is possible to consider different concepts of financial governance.

There are many perspectives of financial governance in businesses. According to Prof. PhD. Pham Quang Trung, National Economics University, *Financial governance, which is one of the most important aspects in business, plays an essential role in development and operation in companies. Financial governance consists of the problem of the organization's assets, raising and investing the capital, allocation and decision of investment and using financial information in the decisive process.* According to PhD. Nguyen Thu Thuy, Foreign Trade University, *financial governance is a process of optimum and efficient raise, utilization, allocation of funds in company to accomplish the goals in each period*. Assoc. Prof. PhD. Bui Van Van, Academy of Finance, claimed that "*Organization governance is the selection and decision, establishment of financial problems to get the goals in businesses*"

Based on the above definitions, f*inancial governance is the intentional impact of governance entity to the object to achieve the predefined goals in businesses*. In terms of operations management, financial governance is a process of implementing the activities of administrators in accordance with raising funds, investment, utilization and allocation the results of businesses in order to accomplish the target in company.

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Financial governance is a part of structure and an important factor of business governance, which have close relevance with many perspectives of trade sector in company. Most decision of business governance also bases on the evaluation of results in financial activities in company. The basic factors which establish business governance in general and financial governance in particular, consist of:

- *Governance entity*: the governance entity can be in charge of the governance activities. The governance entity can be a person or many peoples (administrators). The impacts of the governance entity can one times or many times.

- *Governance objects*: are the direct objects affected by governance entity. The governance objects can be humans (one person or many peoples), an organization (company, the whole economy), fauna and flora (trees, livestock), tangible world (facility, factory, land…) or a particular activity (raising funds, investment, the allocation of businesses 'profit)…;

- *Goal of governance*: goal is the aim of the governance. The goal is established to determine the effect of the governance entity. The impact of governance entity to the governance objects always is implemented by a method in a particular environment.

1.2. Goals of financial governance

The financial governance is an important aspect of business governance. Thus, the goal of financial governance can support the business goal in company. The goals are expressed by administrators as selecting and making decision in finance.

The goal of businesses and the aim of financial governance are proposed in the mission of company. For the non-governmental organization, the aim is providing the public products and service with the suitable spending for society. The benefit of company is the contribution for maintaining and developing the advantage of society. The profit of the activities was only considered as the secondary aim of company.

For the companies, the goal of business *is not only to maximize profits but also minimize risks. It means that maximize benefits of entrepreneurs*. With the aim to maximize the profits, the businesses manage the resources effectively (labors, capital, and materials) to create many assets for society. However, the goal of maximizing profit is in the short run, which is considered in simple and short-term conditions. And it is closely associated with the operation in the financial period and greatly influenced by the accounting method without the other complex factors such as inflation of money, the risks and the growth of company in the future. Therefore, profit maximization can only be considered as a short-term efficiency standard to consider making financial management decisions during the given time of period. When choosing the financial decisions in the long term, the administrator needs to consider many different factors such as the inflation of money, the risks, the profitability of operations in business in the future.

The goal of business in company is maximizing the assets of administrators or maximizing the value of companies. For the listed company, maximizing the value of company is maximizing the enterprises' stock values in the market. Because the profit of entrepreneur consists of the amount of shared profits (dividends) and the percentage between the sale price and the purchase price of the assets, the benefit of the owner is to maximize the value of these two parts. So maximizing the market value of the business is also maximizing the value of the assets of the owner in the business. This process satisfies both the business requirements and goals of the business, and fully reflects factors such as the owner's investment purposes, the time value of money and business risks, prices. The property value of the owner is also reflected in the law of supply and demand, the law of competition in the market.

1.3. Definition of financial performance

The effectiveness is economic factor to reflect the relationship between the results and the resources of company to achieve the particular purpose. However, when considering the effectiveness, there are those to distinguish the result of different perspectives such as performance to whole economy, a company or a particular activity.

In the business, the definition of performance is the business performance in company, in association with the economic goals. The business goal of company is maximizing the assets of entrepreneur and the profit is a short-term and direct goal.

When discussing the business performance of enterprises, there are many different approaches, of

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which the two main ones are: First, the traditional approach is to consider the effectiveness of a comparative relationship between the results and the resources or costs; Second, an effective approach to achieve the results according to the previous goals, whereby the results of higher goals are more effective. In fact, the first approach to business performance is more common, clear and intelligibility.

As considering the business performance, Paul A Samuemlson in Economics claimed that: "Effectiveness means the most efficient use of the resources in the economy to satisfy the need of people". Sharing this view, the author Manfred Kuhu also wrote: "Efficiency is determined by getting the results based on the business expenses. This is a point of view which is applied by economists and business executives to determine the business performance of enterprises or economic activities. The author also conducts the definition of finance efficiency based on the perspectives as giving the definition of financial efficiency of company.

2. Research model and methodologies

Research process

To research the impact of financial governance on financial effectiveness of the listed company in the Vietnam's stock market for the period 2010-2016, the process consists of the below steps:

Step 1: Identifying the research model

Step 2: Developing a research hypothesis

Step 3: Analyzing the correlation and regression model

Step 4: Proposing policy

Identifying the research model

- OLS Method

The empirical model for the analysis is often used by data of time series. Because of the data in the table, except for the OLS regression model, this relationship will also be verified by the FEM (fixed effects model) and the REM (random effects model).

The form of regression model is:

$Y = \beta_{1i} + \beta_{2i} X1 + \beta_{3i} X2 + \beta_{4i} X3 + \beta_{5i} X4 + \beta_{6i} X5 + \beta_{5i} X6 + \beta_{6i} X7 + \varepsilon_{it}$

The disadvantage of OLS model is the tight constraints with cross units, which is difficult to happen in reality. Therefore, to handle the problem , FEM and REM models are used.

- Fixed effect model - FEM

In terms of assumption, each entity has its own characteristics that can affect the explanatory variables, FEM analyzes this correlation between the residuals of each entity and explanatory variables by controlling and separating the influence of individual characteristics (constant over time) out of the explanatory variables so that we can estimate the real effects of the explanatory variables on the dependent variable.

Estimated model used:

$Y_{it} = C_i + \beta X_{it} + u_{it}$

Y_{it}: dependent variable to i: business, t: time (quarter)

X_{it}: independent variable

C_i: blocking factor for each research entity (i = 1…n)

β: slope factor to X

u_{it}: remanier

- Random Effects Model (REM)

The difference between FEM and REM is shown in the variation between entities. If the variation between entities is correlated with the independent variable - the explanatory variable in the fixed effect model then in the random effect model the variation between the entities is assumed to be random and incompatible regarding explanatory variables. Therefore, if the differences between entities affect the dependent variable, REM is preferable to FEM. In particular, the remainder of each entity (cannot correlate with the explanatory variable) is considered a new explanatory variable.

The basic idea begins:

$Y_{it} = C + \beta_1 X_{1it} + \beta_2 X_{2it} + \ldots + \beta_n X_{nit} + u_{it}$

Instead of considering β_{1i} to be fixed, we assume it is a random variable with an average value of β_1. And the original bounce value for an individual can be expressed as:

$C = C + \varepsilon_i \quad i = 1, 2, \ldots, N$

In which: ε_i: is a random term with an average value as 0 and the variance is $\sigma 2\varepsilon$.

Instead of the above formula we have:

$Y_{it} = C + \beta_1 X_{1it} + \ldots + \beta_n X_{nit} + \varepsilon_i + u_{it}$

ε_i: Component error of different objects

u_{it}: Component error in space and combined time period

The usual assumption that the model makes:

$\sim it \sim N (0, \sigma 2\varepsilon)$

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uit ~ N (0, σ2u)

E (εit, uit) = 0 E (εi, εj) = 0 (i ≠ j)

It means that the individual error components (εit) are not correlated with each other and do not automatically correlate between units according to space and time series.

In general, a better FEM or REM model for research depends on the assumption of correlation between ε¬i and the explanatory variables X. If it is assumed that there is no correlation, then REM is more appropriate and opposite.

In addition, if based on N (number of crossover data) and T (length of study), according to Judge, it means that:

- T is large and N is small: In this case there is no big difference in the value of the estimated parameters in the FEM and REM models. So the choice of model depends on the utility in processing. Usually in this case the fixed effect model (FEM) is chosen.

- T is small and N is large: In this case, the estimated results are very different. If the study subjects were not randomly selected from a much larger population, FEM would be more appropriate. Conversely, if the study subjects were randomly selected from a larger population, then REM would be more appropriate because in this case the blocking coefficient β_{1i} is truly random, so statistical inference or Explain the model will be easy and without any constraints. Therefore, if REM conditions are guaranteed, REM estimates will be more accurate than FEM.

- The selection of FEM

Hausman test for Random Effects vs Fixed Effects are suitable for regression of sample data under the assumption:

H_0: Estimates of FEM and REM as the same ones;

H1: FEM and REM estimates are different.

If p-value <α, H_0 is rejected. At that time, REM model was not reasonable, if FEM model was selected. In contrast, REM models are appropriate for selection as accepting the assumption of H0.

Developing a research hypothesis

a. Independent variable

There are many factors to measure the financial effectiveness. However, the study would use the Return on Equity (EOE) to be an independent variable. Because ROE is the popular coefficient, ROE is the sign of results for the business performance and it can express the profitability of business in the next period. Notably, the value of this coefficient may depend on the calculation of profits due to database limitations and asymmetric information characteristics of the stock market in Vietnam.

b. Dependent variables

For independent variables, the study uses two groups of variables: explanatory and control variables. In accordance with the purpose of the study, the theory of financial management in Vietnam and the study belonged to the listed companies on the Vietnamese stock market.

The explanatory group includes variables that reflect the content of financial management within the internal scope of capital structure, cash flow cycle, working capital ratio, fixed asset rate, and fixed asset utilization efficiency.

Control group includes variables of firm size and current ratio.

Thus, based on the previous research model and in accordance with the research of enterprises in Vietnam, the study uses all 7 variables including: capital structure, firm size, current ratio, cash conversion cycle, working capital ratio, fixed asset ratio, fixed asset utilization efficiency including:

- The structure is measured by the debt-to-equity ratio.

According to the capital structure theory, the debt ratio increases the profits of the business by benefiting from the tax shield. When the cost of debt is low with the tax shield, businesses will benefit from raising the debt level. However, as the debt to equity ratio increases, the impact of the debt ratio forces an increase in the owner's required return, meaning that the cost of equity is increased. because the benefit gained from the additional loan is smaller than the increase in agency costs. At a high debt ratio, the debt cost also increases, so the ability of enterprises to be able to repay the debt, the debt ratio in equity, makes enterprises reduce financial efficiency.

The hypothesis is that the debt to equity ratio is positively or negatively related to financial performance.

- Enterprise size is measured by the logarithm of total assets.

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Some organizational theories suggest that firm size and age are related to stagnation. Inertia is inadequate, or sluggish, adapting to changes, or resistance to fundamental changes in business operations, leading to business misses of profitable opportunities. Large businesses create high performance because they are able to diversify and exploit the economy by their full scale.

The hypothesis is that scale impacts in the same direction as financial efficiency.

- Solvency is measured by current ratio index.

The current ratio plays a very important role in the financial situation of the business. The low curret ratio will often show signs of financial risks and potential bankruptcy. However, if the enterprise maintains a high current ratio, it also has a negative impact on financial efficiency. Specifically: When high short-term profitability means businesses or invest too much in short-term assets.

The hypothesis is that solvency has a positive or opposite effect on financial performance.

- Cash conversion cycle (CCC)

One of the indicators that measure the effectiveness of working capital management is the cash flow cycle. The cash flow cycle begins when the business purchases materials, manufactures and sells the products, and until it receives money from the products sold. Businesses with shorter cash flows have less capital to invest in working capital, so their financing costs are often low. By using the cash flow cycle, managers can effectively track working capital during their business period.

The traditional method of researching the correlation between cash flow cycles and profitability ratios suggests that long cash flows will tend to reduce profitability (Samiloglu and Demirgunes - 2008). That means reducing investment in working capital will have a positive effect on profitability.

The hypothesis is that the cash flow cycle has a negative impact on financial performance.

- Working capital ratio

The first view is that a larger working capital investment can contribute to increased revenue, shorten payment time and, therefore, can increase the value of the business.

The second view is that the larger the investment in working capital will face additional financing costs, which may increase the likelihood of bankruptcy. There is an inverse relationship between working capital investment and operational efficiency.

A third point of view is that an optimal level of working capital investment exists to balance costs and benefits to maximize business value, and management of working capital is important for businesses. Small businesses and small businesses tend to increase working capital components in the short term and invest heavily in inventories and receivables, and the profit is low, this study also shows the impact of working capital. affecting the profitability of small businesses.

The hypothesis is that working capital investment impacts in the same direction or opposite direction to financial performance.

- Fixed asset ratio.

In a study by R. Zeitun and G.G.Tian (2007) indicated that the ratio of fixed assets to total assets has a negative impact on financial efficiency. However, the investment in fixed assets (new equipment of fixed assets, advanced technology, etc.) can also increase financial efficiency if fixed assets are used effectively by businesses.

The hypothesis is that the ratio of fixed assets impacts in the same or opposite direction of financial efficiency.

- Fixed assets turnover.

In addition to the target of investment in fixed assets, according to research by To Thi Ngoc Lan (2013) Southern Luzon University, Lucban, Quezon. The thesis analyzes the current situation of VNPT's financial management system and its impact on the financial performance of the corporation through aspects of fixed asset turnover or research by Pham Anh Ngoc (2013), University Southern Luzon, Lucban, Quezon. The thesis explores the effects of financial management practices, financial and profit aspects of small and medium enterprises.

The hypothesis is that, the efficiency of using fixed assets has the same effect of financial efficiency.

3. The results of research

3.1. Descriptive Statistics and Correlations of Study Variables.

The correlation matrix between the independent variables and the descriptive statistics of the inde-

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Table 1: *The summary of the hypotheses on the impact of independent variables on ROE*

Name of variables	Acronym	Symbol	The direction of impact on ROE	
			Negative impact	Positive impact
Return On Equity	ROE	Y		
The debt-to-equity	D/E	X_1	X	X
The scale of business	SIZE	X_2		X
Current radio	CR	X_3	X	X
Cash conversion cycle	CCC	X_4	X	
Working capital ratio (current asset/ total asset)	CA/TA	X_5	X	X
Fixed asset ratio	FAR	X_6	X	X
Fixed assets turnover	FATO	X_7		X

pendent and dependent variables include mean, standard deviation, minimum and maximum.

Table 2: *Statistics Summary*

Variables	Include mean	Standard deviation	Minimum	Maximum
Return on equity (Y)	0.16855	0.19061	-0.1700	1.94000
Capital Structure (X1)	2.43343	4.72389	0.09000	45.1900
Scale of enterprise (X2)	5.75565	0.62709	3.9000	7.43000
Current ratio (X3)	0.70434	0.38364	0.13000	3.41000
Cash conversion cycle (X4)	4.69235	3.19558	-90.270	7.24000
Working capital ratio (X5)	0.60661	0.206004	0.0070	0.9591
Fixed asset ratio (X6)	0.29481	0.190073	0.0001	0.9558
Fixed asset turnover (X7)	0.11796	0.36074	0.0000	6.71000

Sources: The collection and analysis of the author

From the results of the descriptive statistical analysis, the return on equity (Roe) is the first indicator to measure the financial performance of manufacturing enterprises listed on the Vietnamese stock market in this study. In the results of descriptive statistical analysis, the average value of the whole sector in 6 years (2010-2016) is 16.86%, meaning that for every 100 investment VND, the investor will receive 16.85 copper. The largest rate of return on equity reached 194%. The highest roe enterprise in the industry is Lix Detergent Joint Stock Company. Besides, VietNhat Seafood Corporation has the lowest stock code. The standard deviation of 19% is a relatively small number between the industry average and the actual return on equity among firms.

The first factor which has an impact on the listed companies on the Vietnamese stock market is the capital structure. It expresses on the degree of financial leverage (DFL). In the study, the degree of financial leverage is measured by the Debt/Equity Ratio. The average debt to equity ratio of the whole industry in 6 years (2010-2016) is 243%, meaning that the debt is bigger than the existing equity of 243%. Vinacomin - Machinery Joint Stock Company (with CTT stock is the company with the highest DFL in the industry in 6 years is 451.9%. Besides, Hoaphat Textbook Printing Joint Stock Company (printing and supporting businesses) has the lowest stock code of HTP with DFL of 9%. The standard deviation of 472% is a relatively large number between the industry average and the actual DFL among firms.

The second factor having the effect on the financial performance of the listed companies on the stock market in Vietnam is the scale of business. The scale of business is evaluated logarithm/ total assets of company. The average of the scale of business in the whole sector during the 6 year period from 2010-2016 is 5.7665. Vietnam Dairy Products Joint Stock Company, the largest enterprise in the industry in 6 years, is 7.43000. Besides, Viet My Pharmaceutical Manufacturing and Trading Joint Stock Company and other medical equipment (AMS) have the stock code of AMV with the smallest size of 3,9000. The standard deviation of 62.71% is the figure of the gap between the industry average and the actual size between firms.

The third factor having the effect on the financial performance of the listed companies on the stock market in Vietnam is the current ratio. The average of current ratio over the 6 year period form 2010-2016 is 0.70434. It means that 1 point of current ratio is the same as 0.7 point of the asset in the short term. VVMI La Hien Cement Joint Stock Company

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has the stock code CLH which is the business with the highest KNTT in the whole industry in 6 years is 3.41. Besides, Viet Thai Electric Cable Corporation has a VTH code with the lowest current ratio of 0.13. The standard deviation of 38% is a relatively large number between the industry average and the actual earnings between firms.

The fourth factor which has an impact on the financial performance in the listed company in the Vietnamese stock market is cash conversion cycle (CCC). The average cash conversion cycle over the 6 year period from 2010 to 2016 is 4.69 days. Hung Long Mineral and Building Material Joint Stock Company with stock code KHL is the company with the longest time of cash turnover of the industry in 6 years and 7 days. Besides, non-ferrous metal mineral JSC with stock code KSK has the lowest number of cash-return days of -90 days. The standard deviation of 319% is a relatively large number between the industry average and the actual number of cash turnover days between enterprises.

The fifth factor which has an impact on the financial performance in the listed company in the Vietnamese stock market is the working capital. The average of working capital over the 6 year period from 2010 to 2016 is 60.66%. Ninh Binh Phosphate Fertilizer Joint Stock Company with the stock code NFC is the enterprise with the highest rate of investment in building materials in the whole industry in 6 years is 96%. In addition, Phu Thinh - Nha Be Garment Joint Stock Company has NPS stock with the lowest VL ratio of 7%. The standard deviation of 21% is a relatively small number between the industry average and the actual VL ratio among enterprises.

The sixth one is the rate of fixed asset. Its average in that period is 29.48$.VVMI La Hien Cement Joint Stock Company with CLH stock code is the enterprise with the highest proportion of fixed assets in the whole industry in 6 years is 96%. Besides, Sana WMT Joint Venture JSC has ASA stock with the lowest proportion of fixed assets of 1%. The standard deviation of 19% is a relatively large number between the industry average and the actual proportion of fixed assets among enterprises.

The seventh one is the fixed asset turnover. In addition to the fixed asset investment target, to evaluate fixed assets management, there is also the fixed asset performance indicator. Average investment efficiency of the whole industry in 6 years (2010-2016) is 11.79%. Sana WMT Joint Venture JSC with ASA stock code is the enterprise with the highest VL performance in the industry in 6 years is 671%. Besides, Petrovietnam Camau Fertilizer Joint Stock Company has the stock code DCM with the lowest fixed asset efficiency of 0%. The standard deviation of 65% is a relatively large number between the industry average and the real market efficiency of firms.

3.2. Correlation coefficient between variables

Table 3: *Correlation matrix between variables*

	Y	X1	X2	X3	X4	X5	X6	X7
Y	1.0000							
X1	0.8445	1.0000						
X2	-0.0226	0.0577	1.0000					
X3	-0.0090	0.0261	-0.0271	1.0000				
X4	-0.0039	-0.0127	0.2421	-0.9763	1.0000			
X5	-0.0383	0.0029	-0.0778	-0.2186	0.1956	1.0000		
X6	0.0326	0.0168	0.0608	0.0957	-0.0795	-0.5474	1.0000	
X7	0.0148	-0.0258	-0.0215	-0.0293	0.0236	0.1174	-0.3006	1.0000

Sources: The collection and analysis of the author

Firstly, considering the correlation between the dependent variable is ROE (Y) and the independent variable is the capital structure (X1), between these two variables has a positive correlation, (rROE, X1 = 0.844532). It partly claims the impact of capital structure on financial efficiency, which is positively impacted on financial performance.

The second step is the firm size variable, which has a negative correlation, (rROE, X2 = -0.022666). It partly demonstrate the impact of firm size on financial performance and that effect is inversely related to financial performance.

The third step is the solvency variable, between these two variables has a negative correlation, (rROE, X3 = -0.009045). It shows the effect of solvency on financial efficiency, and that impact is inversely related to financial performance.

The fourth step is the cash flow cycle, between these two variables has a negative correlation,

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(rROE, X4 = -0.009045). This partly proves the impact of the cash cycle on financial performance, which is inversely related to financial performance.

The fifth step is the working capital ratio, between the two variables that have a negative correlation, (rROE, X5 = - 0.038390). It claims the impact of VL investment on financial efficiency, that impact is inversely related to financial performance.

The sixth step is the ratio of fixed assets, between these two variables has a positive correlation, (rROE, X6 = 0.032642). This partly proves the impact of fixed asset investment on financial efficiency, the effect is positive on financial performance.

The seventh step is the efficiency variable using fixed assets, between these two variables have a positive correlation, (rROE, X7 = 0.014883). It demonstrates the impact of the efficiency of the use of fixed assets on financial efficiency, the impact is positive on financial performance.

3.3. Regression result analysis

Evaluation of regression compliance

One of the regression assumptions requires that the remainder in the model are not correlated (the remainder are independent, not related to each other). The independence of residuals can be checked through Durbin Watson (DW) statistical quantities. In fact, when conducting the Durbin - Watson test, a control rule was applied: If 1 <DW <3, the model conclusion is not auto correlated, if 0 <DW <1 then the model conclusion There is a positive auto correlation, if 3 <DW <4, it is concluded that the model has a negative correlation (Hoang Trong & Chu Nguyen Mong Ngoc, 2013). The DW coefficient obtained after FEM regression is 2.17. This proves that the random errors in the predictive model have no autocorrelation, the regression assumption of the independence of the residuals is satisfied.

In addition to the DW factor, Variance Inflation (VIF) is also often calculated to provide information on whether there is a multicollinearity phenomenon between independent variables in the model. This thesis applies the method of multicollinearity determination by the authors Hoang Trong & Chu Nguyen Mong Ngoc (2013) if the coefficient of VIF of the independent variable is> 10, it can be concluded that multi-collinear phenomenon occurs. collinearity between that independent variable and the remaining independent variables in the model. Considering the VIF result when FEM regression has VIF <10, there is no multi-collinear phenomenon.

Regression method: Use FEM and REM regression methods. Then to select the appropriate model, we use the Hausman test With:

H0: REM is a more appropriate model than FEM

H0: FEM is a more appropriate model than REM

If (Prob. > λ^2) < 0,05 - rejects Ho, or REM is unreasonable, FEM would be the right model.

3.3.1. The application of regression model to assess the impact of financial governance on financial performance in various listed company on the Vietnamese stock market.

Table 4: *Regression result*

Independent variable / Dependent variable	ROE
Capital Structure (X1)	0.100526
Scale of enterprise (X2)	-0.265581
Current ratio (X3)	-0,233395
Cash conversion cycle (X4)	-0,02839
Working capital ratio (X5)	-0.011360
Fixed asset ratio (X6)	0.466050
Fixed asset turnover (X7)	0,110674

Sources: The collection and analysis of the author

In the above model, there are 7 factors which affect the financial performance ROE for the period 2020-2016: Capital Structure (X1); Scale of enterprise (X2); Current ratio (X3); Cash conversion cycle (X4); Working capital ratio (X5); Fixed asset ratio (X6); Fixed asset turnover (X7)

Y = 1.248425 + 0.100526X1 - 0.265581X2 – 0.233395X3 – 0.02839X4 - 0.211360X5 + 0.466050X6 + 0.110674X7

The dependent variable is return on equity (ROE). After using the REM method, the results of research are:

Capital structure: The results of this model show that the capital structure has a positive impact on financial performance. According to the capital structure theory, the debt ratio increases the profit of the business because of the benefits of tax shield. The debts are leverage for the enterprise to increase sales, and profits. Research results of debt ratio on equity and financial performance in the same direc-

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tion showed that enterprises have effective use of debt, the benefits gained from borrowing can compensate for expenses incurred from debt, the greater the value of manufacturing companies using debt, the higher financial efficiency. Thereby, it shows that businesses have taken advantage of the effect of positive financial leverage in increasing financial efficiency. Enterprises should borrow more to do business if they want to expand their business but still keep the same business efficiency to take advantage of business conditions to maximize profits, while supporting businesses in fast growth and sustainable development. The results coincide with studies of (Myers (1977); Sensen (1986); McConnell (1995), Dessi and Robertson (2003), Muhammad Muzaffar Saeedi, Ammar Ali Gull and et al (2013).

The scale of company is negatively correlated with the rate of return on equity. When the scale increases by 1, the return on the equity of the listed companies declines 0.265581 times. If from the standpoint of shareholder theory, the business goal is to make a profit, once the business does not make a profit, it is not an effective business, so when the business increases in size, without increase profit, increase profit rate on capital spent but also reduce it. This is seen as a failure of the business. This study is consistent with alternatives theoryor the studies of (Shepherd (1972), Ammar et al. (2003 and some organizational theories such as Miller and Chen (1994); Aldrich and Austen (1986).

The current ratio has a negative relationship with financial performance: High liquidity is a sign of ineffective use and money management. Profit before tax reflects whether or not enterprises meet the obligation to pay short-term debts with short-term assets. Large short-term earnings may be due to large receivables, large inventories (raw materials are too large to be used up and unsold goods and finished goods cannot be circulated), current assets large inventory... On the other hand, current assets and short-term investments can be formed from long-term loans such as prepayments to sellers; either formed from other debt (such as deposits, collateral...) or formed from equity. However, if the solvency is too high, it shows that enterprises use assets ineffectively, outstanding assets are still much, have not promoted their profitability, so their financial efficiency will be low. The results coincide with Agrawal, A. & Knoeber C (1996).

The cash conversion cycle (CCC) variable has a negative impact on equity return (ROE). CCC said the time from the time the business pays for the purchase of input materials until it receives money from the customer. The shorter the CCC, the higher the financial efficiency of the listed companies. Therefore, it is necessary to shorten the cash flow cycle to the maximum but does not affect production and business activities. At that time, the enterprise has a budget to ensure the next business cycle, reduce external funding, and reduce costs and risks for the business, so it can increase the return on equity in the business.

The working capital ratio has a negative impact on ROE, proving that the higher the ratio of assets to total assets, the lower the ROE will be.

The fixed asset ratio has a positive impact on ROE, proving that the more the enterprise focuses on investing in fixed assets, the bigger the ROE would be.

The fixed asset turnover has a positive effect on ROE, proving that the effective use of fixed assets will be a positive signal to profit and increase ROE.

3.3.2. The application of regression model to evaluate the impact of financial governance on financial performance in certain listed companies in each industry.

When considering each group of industries, the average model results in the period of 2010-2016 are relatively different.

Capital structure: The results of this model show that CTV has a positive impact on the return on equity capital of food, textile, paper, chemistry producers, chemical, plastic and rubber, DNS-MM-TBX manufacturing companies. In other companies, capital structure has the opposite impact relationship.

The scale of business has a negative correlation with the equity return rate for textile fabric, paper manufacturing, chemical production, plastic and rubber manufacturing. On the other hand, food manufacturers, KCPK, ME, MMX-TB-DT manufacturing companies and others are also positively correlated.

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Table 5: *Regression result in each industry*

	Food	Textile	Pulp &Paper	Chemical	KCPK	Plastic & Rubber	MM-TB-ĐT	Others
X1	0.01829	0.17060	0.19321	0.17525	0.01945	0.00315	0.02071	-0.39406
X2	0.49310	-1.26045	-1.12491	-0.23903	0.00217	-0.9970	0.08964	0.35026
X3	0.01812	-0.00014	-0.03820	0.00533	0.08144	0.00465	-0.00672	-0.17848
X4	-0.00017	-0.00035	-0.00047	-0.00015	0.00005	0.00425	0.00022	-0.00096
X5	0.04810	0.21712	0.79196	1.47047	0.14697	-0.3508	-0.44266	0.34120
X6	0.07282	-0.37305	-0.49899	1.14329	-0.03088	1.29489	0.08607	1.57562
X7	0.00108	-0.02581	0.00161	0.01019	0.00091	0.05814	-0.00203	0.00897

Sources: The collection and analysis of the author

The current ratio has an inverse relationship with the return on equity of textile, paper, chemistry producers, chemical, plastic and rubber, DNS-MM-TBX manufacturing companies. Meanwhile, food, chemical, plastic and rubber manufacturing companies have a positive correlation.

The cash conversion cycle (CCC) variable has an inverse effect on equity return on food manufacturing, textiles, fabric, paper and chemical production. Meanwhile, KTDK companies, plastic and rubber businesses, MMX-TB-DT had the same positive correlation.

The working capital ratio positively affects the ROE with food, textile, paper, chemical manufacturing companies and others. Meanwhile, plastic and rubber companies, MMX-TB-ĐT also have a negative correlation.

The ratio of fixed assets has a positive impact on ROE for food, chemical, plastic and rubber manufacturing companies, and MM-TB-DT companies. But the textile and paper manufacturing businesses have the opposite effect.

The fixed asset turnover has a positive impact on ROE of food manufacturing enterprises, paper manufacturing enterprises, chemical processing enterprises, manufacturing industries, plastic and rubber processing industries, and other manufacturing industries. The MMX-TB-DT has the opposite effect on the textile fiber manufacturers.

3.3.3. The application of regression model to evaluate the impact of financial governance on financial performance in certain listed companies in each the scale of company

Table 6: *Regression result in each scale of company*

	The group of large companies	The group of medium-sized companies	The group of small companies
X1	-0.032776	-0.032776	0.082754
X2	-0.016957	-0.016957	-0.279332
X3	-0.004546	-0.004546	-0.000365
X4	-0.000123	-0.000123	0.000411
X5	0.248651	0.248651	-0.035316
X6	0.043283	0.043283	-0.088179
X7	0.004261	0.004261	0.000753

Sources: The collection and analysis of the author

As evaluating in each industry, the results of model are conducted differently

Capital structure: The results of this model show that capital structure has a negative impact on the return on equity of large and medium-sized companies. Particularly for small companies, the capital structure has the same impact relationship.

The scale of company has a negative correlation with the equity return rate for large, medium - sized and small companies.

The current ratio has a negative relationship with the rate of return on equity to large, medium - sized and small companies.

The cash conversion cycle (CCC) variable has an inverse effect on equity return for large and medium-sized firms. With the small business, there is a positive relationship.

The working capital ratio has a positive impact on ROE for large and medium-sized firms. The capital structure has an impact relationship in the same direction in the small companies

The ratio of fixed assets has a positive impact on ROE for large and medium-sized firms. The capital structure in the small firms has the opposite impact relationship.

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The fixed asset turnover has a positive impact on ROE for large, medium and small companies.

4. Conclusion and Proposing solutions

The study shows the diverse impacts of financial governance through capital management, working capital governance and fixed assets governance to financial performance in the listed companies on the Vietnamese stock market. To be specific:

Table 7: *Comparison of research results and expectations*

Factors	Initial assumption	Research results
Capital Structure (X1)	+/-	0.100526
Scale of enterprise (X2)	+	-0.265581
Current ratio (X3)	+/-	-0,233395
Cash conversion cycle (X4)	-	-0,02839
Working capital ratio (X5)	+/-	-0.211360
Fixed asset ratio (X6)	+/-	0.466050
Fixed asset turnover (X7)	+	0,110674

Sources: The collection and analysis of the author

Based on the results on the Cash conversion cycle (X4), we would like to suggest some implications of policy including:

- *Improving the legal corridor, promoting the effective implementation process and enhancing the management role of the competent authorities.*

Tax policy regulations have not kept pace with OECD, UN, UNDP regulations, so indirect transfer activities outside Vietnam between foreign corporations such as capital and share transfer, transfer of intangible assets... often do not collect taxes or have revenues, there is an international dispute. Therefore, the authorities need to review the current tax policy regulations, compare and compare with the regulations of OCED, UN, UNDP... to supplement, amend accordingly and compatibility with international regulations. In addition, the State should stipulate in detail the role with stakeholders and disclosure requirements, especially mandatory information about members of the Board of Directors such as stock transactions, share ratios... Authorities also need to issue regulations on ensuring equity between large and small investors, between domestic investors and foreign investors. Besides, it is necessary to improve the responsibilities, roles and authority of State management agencies related to the field of corporate governance, especially the role of the State Securities Commission and Stock Exchanges.

- *Stabilizing macro economy*

The macroeconomic environment has a great impact on the operation of businesses in general and listed companies in the construction industry in particular. In the context of stable economy, steady growth, production and business activities of listed companies of construction industry are also safer. The macro-economic environment is still inadequate, making investors wary. It is a disadvantage for listed manufacturing enterprises, especially in the condition that businesses are in desperate need of stable capital. Thus, stabilizing the macro environment is an urgent issue that the Government and state agencies need to coordinate to devise measures to ensure the stability of the economy.

- *Raising the capacity and effectiveness of associations and social organizations*

Some social organizations such as Vietnam Association of Small and Medium Enterprises, Vietnam Association of Financial Investors (VAFI)... need to improve their responsibilities and role in corporate governance activities in Vietnam. Enterprises through a number of measures such as establishing a specialized department to carry out annual assessments and surveys on the status of corporate governance in enterprises, assisting businesses in making plans and strategies for improvement as well as improving corporate governance quality. In addition, social organizations also need to organize forums and seminars on corporate governance in order to create opportunities for sharing and exchanges between experts and administrators from many businesses.

Another important role of social organizations is to build a support mechanism, representing a small group of shareholders to attend the annual general meeting of shareholders at the enterprise to protect their rights. In addition, these organizations need to coordinate with the State management agencies to play a role of helping, supporting and monitoring corporate governance activities of enterprises.◆

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Summary

Hiệu quả kinh doanh nói chung và hiệu quả tài chính nói riêng luôn là mối quan tâm hàng đầu của các nhà quản trị điều hành doanh nghiệp, chủ sở hữu và các chủ thể liên quan khác. Để thực hiện mục tiêu nâng cao hiệu quả kinh doanh đòi hỏi các doanh nghiệp phải thực hiện đồng bộ nhiều giải pháp khác nhau bao gồm: các giải pháp về kỹ thuật, tổ chức sản xuất kinh doanh; giải pháp về quản trị tài chính; giải pháp về tổ chức và quản lý nhân sự; giải pháp về marketing, khai thác thị trường,… nhằm sử dụng tối ưu các nguồn lực. Thông qua nghiên cứu này, đã phân tích để thấy rõ được những tác động của các yếu tố tới hiệu quả của các doanh nghiệp sản xuất niêm yết trên thị trường chứng khoán và có đưa ra một số đề suất hàm ý chính sách nhằm nâng cao hơn nữa hiệu quả tài chính của các doanh nghiệp sản xuất niêm yết trên thị trường chứng khoán.

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