

Assessment of the Two-Way Relationship between Capital Structure and Operation Performance of Listed Companies on Vietnam's Stock

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Abstract : The decision on capital structure is one of the most important and sophisticated decisions in financial management in order to improve firm performance. This article would study the two-way impact between capital structure and firm performance. The study use EVIEWS 6.0 software to determine a two-way relationship between the capital structure and firm performance based on two-stage regression (2SLS - Two-Stage Least Squares). The findings are: capital structure has the opposite effect on the business efficiency and vice versa, factors that effect on business efficiency include Size and Opportunities. Factors effects on the capital structure are size; liquidity. These factors also affect the ratio of capital structure (total debt/ total asset) of companies. In particular, liquidity has the opposite effect; and the size of the business has the same impact. The results of the study are in line with the theory and empirical studies presented, and the results of the study are unchanged for all three years 2015-2017.

Keywords : capital structure, firm performance, factors, two-way relationship

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