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Institutional Ownership and Corporate Performance Vietnamese Listed Enterprises

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ABSTRACT

The impact of ownership structure on corporate performance has become a subject of debate among many scholars. The research aims to investigate whether all types of institutional investors play an active and equal monitoring role in corporate performance based on market data and accounting data in Vietnamese listed enterprises. Due to the dynamic endogeneity of the effect of institutional ownership on firm performance, the dynamic panel generalized method of moments estimator is used for the analysis data for the period 2012 to 2023. The results showed that institutional ownership positively and strongly impacts firm performance based on both accounting and market data. However, only insensitive, large, domestic, and foreign institutional investors are active monitors and improve corporate performance. This study recommends that pressure-insensitive institutional shareholders, large institutions, domestic, and foreign organizations with close monitoring can help managers make sound strategic decisions in the business process, thereby improving firm performance. There is scant evidence on the role that institutional ownership plays in an emerging economy, such as Vietnam. This study examines the impact between institutional ownership and performance of listed enterprises in Vietnam and differentiates the impact of institutions according to their economic relationship with the investee companies, geographical origin, and ownership scale. Besides, this research applies to the method and tests on a previously unprocessed dataset.

Keywords: Corporate performance, Institutional ownership, Vietnam.

JEL Classification: G23, G32, G34.

1. INTRODUCTION

Institutional investors have become essential participants in financial markets, with increasing influence on corporate governance due to their growing share of firm equity (Graves, S. B. & Waddock, S. A., 1990). Traditionally, they followed a passive "exit policy," selling shares when dissatisfied with management (Bathala, C. T. et al., 1994). However, as their ownership increases, their role shifts to active supervision, with more involvement in management decisions to safeguard long-term shareholder interests (Iddrisu, K. et al., 2023; Brickley, J. A. et al., 1998; Holderness, C. G. et al., 1999). This active monitoring can influence corporate performance (Chaganti, R. & Damanpour, F., 1991). The relationship between ownership structure and corporate performance has been a central issue in corporate governance since Berle, A. A. & Means, G. C. (1932).

Studies on the impact of institutional ownership on corporate performance offer three main perspectives: "active monitoring," "passive monitoring," and "exploitation." Pressure-insensitive investors actively monitor management, while pressure-sensitive investors either act as passive custodians or exploit minority shareholders' rights for personal gain. Research shows mixed results regarding the relationship between institutional ownership and performance. Some studies find a positive link, supporting the "active monitoring" view (Elyiasiani, E. & Jia, J., 2010; Yeh, C. M., 2019) , while others report a negative or no relationship, aligning with "passive monitoring" or "exploitation" perspectives (Muttakin et al., 2012; Demsetz, H. & Villalonga, B., 2001).

This article explores the relationship between institutional ownership and corporate performance in emerging markets, with a focus on Vietnam. Vietnam's stock market has grown significantly over the past two decades, yet it

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remains dominated by small individual investors. The country has also undergone privatization of state-owned enterprises, with the government actively promoting institutional investment. Using dynamic panel data from 274 firms listed on the Ho Chi Minh City and Hanoi Stock Exchanges (2012–2023), the study examines how institutional investors impact corporate performance, measured by Tobin's Q and return on assets (ROA). The results support the "active monitoring" hypothesis, showing that institutional investors in Vietnam actively contribute to improving corporate performance. Further analysis reveals that pressure-insensitive, foreign, and large institutions have a more positive impact than pressure-sensitive, domestic, and small institutions. This study addresses two key questions: (1) How does institutional ownership affect corporate performance in emerging markets like Vietnam? (2) Does the impact vary based on the type of institution, its business relationships, geographical origin, and scale of ownership?

This paper contributes to literature in several ways. First, it examines the impact of institutional ownership on the performance of listed companies in Vietnam, differentiating by institutions' economic relationships, geographical origin, and ownership scale. Second, it applies a dynamic endogeneity approach to a unique dataset covering the period from 2012, when the Vietnamese government began strengthening institutional regulations, to the present. The study finds a significant, positive impact of institutional ownership on corporate performance in Vietnam, despite the country's weaker legal framework and corporate governance compared to developed markets. These findings offer valuable insights for managers, investors, and regulators in both Vietnam and other emerging economies, aiding in better decision-making and the development of effective corporate governance policies.

The paper is structured as follows: Section 2 reviews the literature and formulates research hypotheses; Section 3 outlines the methodology; Section 4 presents the empirical analysis and discusses the results; and Section 5 concludes with policy recommendations.

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Institutional investors and firm performance

The separation of ownership and control can create agency problems and moral hazard if managers prioritize short-term profits over long-term goals for personal gain (Hart, S. L. & Quinn, R. E., 1993). Corporate ownership structure acts as a key governance mechanism, pressuring managers to focus on corporate success. (Shleifer, A. & Vishny, R. W., 1986) argue that institutional ownership is an effective way to monitor managers in certain capital ownership contexts.

Existing literature on institutional ownership and corporate performance presents three main perspectives: "active monitoring," "passive monitoring," and "exploitation." The "active monitoring" view suggests that institutional investors reduce information asymmetry and agency problems, improving corporate performance in two ways (Shleifer, A. & Vishny, R. W., 1986; (Shleifer, A. & Vishny, R., 1997). First, by applying management expertise, institutional investors can oversee and guide management to enhance decision-making and firm value (Elyiasiani, E. & Jia, J., 2010; Firth, M. et al., 2016). Second, through their voting rights, they can express dissatisfaction with management to protect firm performance (McCahery et al., 2016). Additionally, institutional investors may provide capital or leverage their relationships to help companies secure financing (McConnell, J. J. & Servaes, H., 1990; Smith, M., 1996).

The "passive monitoring" view posits that institutional investors, as short-term investors, focus on speculative activities for short-term profits rather than on monitoring day-to-day management or enhancing corporate governance (David, P. & Kochhar, R., 1996; Elyiasiani, E. & Jia, J., 2010). Consequently, a weak or no relationship is expected between institutional ownership and firm performance. Studies by (Agrawal, A. & Knoeber, C. R., 1996) and (Duggal, R. & Millar, J. A., 1996) found no link between institutional ownership and firm performance, particularly in terms of Tobin's Q.

The "exploitation" perspective argues that institutional investors may collude with management to exploit minority shareholders, thereby undermining corporate performance. They may overlook management misconduct if it benefits them personally (Cornett, M. M. et al., 2007). As a result, a negative relationship between institutional ownership and firm performance is expected when management actions decrease firm value (Elyiasiani, E. & Jia, J.,

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2010). Studies by (Woidkte, T., 2002) and (Ferreira, M. A. & Matos, P., 2008) found a negative and significant relationship between institutional ownership and Tobin's Q.

Data from the Vietnam Securities Depository and Clearing Corporation show that individual investors dominate the Vietnamese stock market, primarily driving market trends. However, their speculative investment approach has hindered market efficiency and resource allocation. To address this, in 2012, the Vietnamese government advocated for the development of specialized institutional investors to upgrade the market from marginal to emerging status. Unlike individual investors, institutional investors bring expertise, management skills, and financial networks, which can improve business performance. Furthermore, institutional investors help mitigate abusive practices and enhance market stability. The government's strategy focuses on developing institutional investors to address corporate governance issues and reduce collusion with controlling shareholders or managers. Given Vietnam's rapid economic growth, institutional investors are likely to play an active monitoring role to earn abnormal profits from improved corporate performance. Thus, this study anticipates a positive relationship between institutional ownership and corporate performance.

Hypothesis 1: There is a positive relationship between institutional ownership and corporate performance.

Do all institutional investors have the same impact on corporate performance?

Theories by (Shleifer, A. & Vishny, R. W., 1986; Pound, J. & 1988), and empirical research by (McConnell, J. J. & Servaes, H., 1990) suggest that institutional investors have distinct characteristics and objectives in corporate oversight. (Jensen, M. & Meckling, W., 1976) show that different institutional ownerships affect firm performance. As a result, institutional investors are often categorized by their business relationships with investee companies, geographical origin, and shareholding size. *First,* based on business relationships, investors are classified into pressure-insensitive and pressure-sensitive institutions. Pressure-insensitive institutions, with fewer conflicts of interest, are more likely to actively monitor and pressure managers to optimize shareholder value, improving corporate performance. In contrast, pressure-sensitive institutions, with business ties to the investee company, may act as passive investors (Brickley, J. A. et al., 1998; Cornett, M. M. et al., 2007; Ferreira, M. A. & Matos, P., 2008). *Second,* based on geographical origin, institutional investors are divided into domestic and foreign. Foreign investors typically engage more in active monitoring, bringing expertise, reducing agency problems, and improving corporate governance, which enhances performance (Huang, W. & Zhu, T., 2015). Domestic investors, with closer ties to firms, may feel more loyal to management, reducing their ability to monitor effectively (Lou, K. et al., 2020; Ferreira, M. A. & Matos, P., 2008; Gillan, S. & Starks, L., 2003). *Third,* based on shareholding size, large-scale institutional investors are more motivated to monitor due to their higher potential rewards from the firm's success, compared to smaller shareholders (Shleifer, A. & Vishny, R. W., 1986). Large shareholders (e.g., those holding 5% or more) have stronger incentives to improve firm performance than smaller ones (Elyiasiani, E. & Jia, J., 2010).

In Vietnam, business relationships are crucial in the corporate culture but can pose challenges for corporate governance. While relationships can support business plans, they may also attract passive investors. Pressure-sensitive and domestic institutional investors are more likely to be passive compared to foreign or pressure-insensitive investors. Additionally, institutional investors with larger shares are more motivated to actively monitor investee companies, as they stand to lose more if the company underperforms. Based on this, the study proposes the following hypothesis:

Hypothesis 2a: The positive relationship between institutional ownership and corporate performance is stronger for pressure-insensitive institutional investors than for pressure-sensitive ones.

Hypothesis 2b: The positive relationship between institutional ownership and corporate performance is stronger for foreign institutional investors than for domestic ones.

Hypothesis 2c: The positive relationship between institutional ownership and corporate performance is stronger for large-scale institutional investors than for small-scale ones.

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3. METHODOLOGY AND DATA

3.1. Model

The relationship between institutional ownership and corporate performance may involve endogeneity, including simultaneity (reverse causality) and unobserved heterogeneity (Roberts, M. R. & Whited, T. M., 2013). Simultaneity occurs when causation is bidirectional, meaning institutional ownership affects corporate performance and vice versa. This violates the orthogonality assumption in OLS regression, leading to biased estimates. Unobserved heterogeneity refers to unmeasured factors affecting both variables. Dynamic endogeneity arises when current institutional ownership is influenced by past performance, a factor often overlooked in prior studies. Ignoring dynamic endogeneity can lead to misleading results, especially when using fixed-effects panel estimators that assume exogeneity (Wintoki, M. B. et al., 2012). To address this, the study uses the S-GMM estimator, which accounts for dynamic endogeneity by allowing past values of performance and ownership to influence current performance. This method uses lagged firm variables as instruments to control simultaneity and applies tests for exogeneity, such as the AR(1) and AR(2) tests and the Hansen J-statistic for over-identification (Arellano, M. & Bond, S., 1991; Blundell, R. & Bond, S., 1998). The dynamic panel S-GMM model is used to examine the relationship between institutional ownership and corporate performance.

$$Y_{it} = \alpha_1 + k_1 Y_{it-1} + \sum_{j=1}^{3} \beta_j IO_{it} + \gamma Control_{it} + \mu_{it} + \varepsilon_{it}$$

In which, the dependent variable Y_{it} is corporate performance (CF), Y_{it-1} is the first lag of the dependent variable. IO_{it}, representing institutional ownership includes total institutional ownership (IO-total), pressure-sensitive institutional ownership (IO-pass), pressure-insensitive institutional ownership (IO-act), domestic institutional ownership (IO-dom), foreign institutional ownership (IO-for), large institutional ownership (IO-over5), small institutional ownership (IO-under5). $Control_{it}$ represents control variables in the model including financial leverage (LEV), firm size (SIZE), firm age (AGE), firm liquidity (LIQ), and asset growth (GRO). Additionally, μ_i denotes unobserved firm effect, and ε_{it} stands for the residual.

3.2. Corporate performance

We use two proxies to measure corporate performance: Tobin's Q and return on assets (ROA). Tobin's Q, reflecting future expectations, is calculated by adding the market value of common shares to the book value of liabilities, then dividing by total assets. ROA, indicating operational efficiency, measures current performance by dividing net income by total assets. Both measures are widely used in empirical studies (Ferreira, M. A. & Matos, P., 2008; Elyiasiani, E. & Jia, J., 2010; Daryaei, A. A. & Fattahi, Y., 2020; Le Thi Nhung, 2023).

Institutional ownership

Total institutional ownership (IO-all) refers to the percentage of a company's outstanding shares held by institutional investors at the end of the financial year. It can be further categorized based on business relationships, geographical origin, and shareholding size. First, following (Ferreira, M. A. & Matos, P., 2008; Cornett, M. M. et al., 2007), institutional investors are classified as pressure-sensitive or pressure-insensitive. Pressure-sensitive institutional ownership (IO-pass) includes shares held by insurance companies, banks, security firms, financial companies, and other institutional investors. Pressure-insensitive institutional ownership (IO-act) refers to shares held by mutual funds.

Second, institutional investors are classified based on geographical origin, as domestic or foreign (Ferreira, M. A. & Matos, P., 2008). Domestic institutional ownership (IO-dom) refers to the percentage of shares held by Vietnamese institutions, while foreign institutional ownership (IO-for) represents the percentage held by foreign institutions.

Third, institutional investors are classified based on the size of their ownership shares (Elyiasiani, E. & Jia, J., 2010). Investors holding 5% or more of the outstanding shares are categorized as IO-over5, while those holding less than 5% are classified as IO-under5.

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3.3. Control variables

To ensure comparability with previous studies, we control several firm characteristics likely to influence performance. First, firm size (SIZE) is measured as the natural logarithm of total assets, with larger firms assumed to face inefficiencies due to their complex structures, potentially harming performance (Bushee, B. J., 1998). Second, liquidity (LIQ) is included, as firms with higher liquidity can raise capital easily, supporting better performance (Daryaei, A. A. & Fattahi, Y., 2020). Third, financial leverage (LEV), the ratio of debt to total assets, is controlled, with high leverage often associated with greater risk and poorer performance (Bushee, B. J. & Noe, C. F., 2000; Le Thi Nhung, 2023). Fourth, asset growth (GRO), defined as the annual percentage change in assets, reflects asset management efficiency and is expected to positively impact performance (Drobetz, W. et al., 2021). Finally, firm age (AGE) is controlled, with older firms potentially benefiting from more management experience (Wintoki, M. B. et al., 2012). Definitions of all variables are provided in Table 1.

Table 1 Variable descriptions

Variable	Measure
Dependent variables: Corporate performance	
Tobin's Q (TBQ)	The sum of the market value of equity and the book value of liabilities divided by total assets
Return on Asset (ROA)	Net income divided by total assets
Independent variable: Institutional ownership	
Total institutional ownership (IO-total)	The sum of the proportion of a firm's total number of outstanding shares held by all institutional investors at year-end
Sensitive institutional ownership (IO-pass)	The percentage of the total number of outstanding shares held by insurance companies, banks, security companies, financial companies, and other institutions
Insensitive institutional ownership (IO-act)	The percentage of the total number of outstanding shares held by mutual funds
Domestic institutional ownership (IO-dom)	The percentage of the total number of outstanding shares held by Vietnamese institutions
Foreign institutional ownership (IO-for)	The percentage of the total number of outstanding shares held foreign institutions
Large institutions (IO-over5)	Institutions holding 5% or more of the total number of outstanding shares
Small institutions (IO-under5)	Institutions holding less than 5% of the total number of outstanding shares
Control variables	
Financial Leverage (LEV)	The ratio of the book value of total liabilities to the book value of total assets
Firm Size (SIZE)	Natural logarithm of the book value of total assets
Firm age (AGE)	Natural logarithm of the number of years since a firm established
Liquidity (LIQ)	Cash divided by total assets
Asset growth (GRO)	The percentage growth in assets
Source: (Ferreira, M. A. & Matos, P., 2008; Elyiasiani, E. & Jia, J., 2010; Daryaei, A. A. & Fattahi,	

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Y., 2020; Le Thi Nhung, 2023; Cornett, M. M. et al., 2007; Bushee, B. J., 1998); Bushee, B. J. & Noe, C. F., 2000; Drobetz, W. et al., 2021; Wintoki, M. B. et al., 2012)

Data

Data is collected from all companies listed on HOSE and HNX between 2012 and 2023. After excluding commercial banks, the final sample consists of 274 firms, representing 37% of the 733 listed companies on HOSE and HNX in 2023. The analysis period begins in 2012 when the Vietnamese government started implementing measures to develop institutional investors. Banks are excluded due to industry-specific performance differences, making them unsuitable for this study's conclusions. To be included, companies must meet two criteria: (1) availability of at least 5 years of consecutive financial data for the dynamic panel GMM estimator (Florackis, C. & Ozkan, A., 2009), and (2) listed on HOSE or HNX from 2012 to 2023. The final sample consists of 274 firms with 2851 observations, forming an unbalanced panel from secondary data sources.

4. RESULTS AND DISCUSSION

4.1. Descriptive statistics

Descriptive statistics for all variables are presented in Table 2, based on firm-level observations. Continuous variables are winsorized at the 1st and 99th percentiles. Tobin's Q is calculated as the sum of market value of equity and book value of liabilities divided by total assets, while ROA is net income divided by total assets. The ownership variables are: IO-total (total institutional ownership), IO-pass (pressure-sensitive ownership), IO-act (pressure-insensitive ownership), IO-dom (domestic institutional ownership), IO-for (foreign institutional ownership), IO-over5 (large institutions with >5% ownership), and IO-under5 (small institutions with <5% ownership). Control variables include firm size (SIZE), financial leverage (LEV), firm age (AGE), liquidity (LIQUID), and asset growth (GROW).

Table 2 Descriptive statistics

Variable	Mean	Std.Dev.	Min	Median	Max
Corporate performance					
TBQ	0.658	0.416	0	0.571	2.421
ROA	0.070	0.116	-0.850	0.050	2.980
Institutional ownership					
IO-total	43.915	32.100	0	45.340	99.890
IO-act	7.025	14.604	0	0	98.400
IO-pass	36.885	31.022	0	35.420	99.130
IO-dom	36.660	30.767	0	34.560	98.730
IO-for	7.257	13.028	0	0	94.110
IO-over5	39.782	32.333	0	40.390	99.130
IO-under5	4.131	6.589	0	0.250	36.140
Control variable					
LEV	0.483	0.216	0.004	0.499	1.619
SIZE	28.073	1.390	23.712	27.938	32.617
AGE	2.973	2.811	2.308	3.091	3.970
LIQ	0.062	0.093	0.001	0.037	0.528
GRO	12.160	20.064	-13.051	9.281	119.326

Source: Researcher's own computations

The average Tobin's Q (TBQ) and return on assets (ROA) for Vietnamese listed companies are 0.658 and 0.070, respectively. Institutional ownership averages 43.92%, with 36.89% held by pressure-sensitive institutions and 7.03% by pressure-insensitive institutions. Domestic institutions own 36.66%, foreign institutions 7.26%, large institutions hold 39.78%, and small institutions own 4.13%. These figures show that pressure-sensitive, domestic,

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and large institutions dominate the Vietnamese stock market. Control variables have the following averages: financial leverage (LEV) 0.483, firm size (SIZE) 28.073, firm age (AGE) 2.973, liquidity (LIQ) 0.062, and asset growth (GRO) 12.160. The correlation matrix in Table 3 shows that no correlations exceed 0.5, suggesting no multicollinearity in the model.

4.2. Institutional ownership and corporate performance

The positive impact of institutional ownership on corporate performance supports the "active monitoring" view, as evidenced by studies from (Kansil, R. & Singh, A., 2018; Connelly, B. L. et al., 2010, Hussain, T. S., 2015). Institutional investors promote good governance practices and protect both their own and company leaders' interests, ultimately enhancing firm performance. Acting as monitors, institutional investors help curb self-interested behavior and improve overall corporate performance (Mokhtari, Z. & Makerani, K. F., 2013; Su, Z. et al., n.d.). Our study, based on 2,851 firm-year observations from 2012 to 2023, uses Tobin's Q and ROA as proxies for corporate performance. Table 4 presents the results from the dynamic panel generalized method of moments estimator.

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Table 3. Correlation matrix

	TBQ	ROA	IO-total	IO-act	IO-pass	IO-dom	IO-for	IO-over5	IO-under5	LEV	SIZE	AGE	LIQ	GRO
TBQ	1													
ROA	0.165*	1												
IO-total	0.031*	0.103*	1											
IO-act	-0.123*	-0.032*	0.124*	1										
IO-pass	0.036*	-0.164*	0.120*	0.004*	1									
IO-dom	-0.017*	-0.138*	-0.033*	0.129*	0.221*	1								
IO-for	-0.170*	0.111*	-0.111*	0.140*	0.102*	0.102*	1							
IO-over5	0.1862*	-0.109*	-0.054*	-0.152*	-0.136*	0.181*	0.130*	1						
IO-under5	0.115*	-0.121*	0.002*	-0.119*	-0.004*	0.129*	-0.029*	0.142*	1					
LEV	-0.009*	0.114*	0.117*	0.105*	0.173*	-0.002*	-0.013*	0.138*	0.162*	1				
SIZE	0.0125	-0.008	-0.027	0.110	0.120	0.200	-0.018	-0.025	-0.130	0.111	1			
AGE	0.003	0.032	0.017	-0.100	0.004	-0.173	-0.082	0.044	0.029	0.072	0.009	1		
LIQ	0.118	0.106	0.078	-0.092	-0.065	0.087	0.063	0.088	-0.003	-0.178	-0.047	0.184	1	
GRO	0.162	0.150	-0.048	0.093	-0.086	0.152	0.137	-0.137	0.029	0.131	-0.076	0.066	0.139	1

Note: This table presents the pair-wise linear correlations for all the variables used in the estimated models. All variables are as defined in Table 1. * Represents significance at 0.01 level
Source: Researcher's own computations

Table 4 presents the results for hypothesis 1 across four columns. Columns (1) and (2) use Tobin's Q as the dependent variable to measure corporate performance based on market value. Column (1) includes only total institutional ownership and lagged Tobin's Q as independent variables, while column (2) adds control variables. In both columns, the coefficient estimates for total institutional ownership are positive and statistically significant.

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Table 4. The Effects of Institutional ownership on corporate performance

	Tobin's Q		ROA	
	(1)	(2)	(3)	(4)
IO-total	0.103*	0.268***	0.196**	0.323***
	(0.071)	(0.106)	(0.114)	(0.121)
Lag (Tobin's Q)	0.724*	1.206***		
	(0.464)	(0.311)		
Lag (ROA)			0.811**	1.300***
			(0.363)	(0.297)
LEV		-0.728***		-0.615***
		(0.288)		(0.155)
SIZE		-0.398*		-0.266**
		(0.248)		(0.150)
AGE		0.917*		0.800*
		(0.662)		(0.435)
LIQ		0.117**		0.201*
		(0.054)		(0.128)
GRO		0.081***		0.104*
		(0.029)		(0.057)
Intercept	0.882**	1.152**	0.726***	1.029*
	(0.382)	(0.611)	(0.214)	(0.712)
No. of Obs.	2,851	2,851	2,851	2,851
Adjusted R^2	0.258	0.373	0.235	0.397
N Cross-sections	274	274	274	274
AR(1) test (P-value)	0.001	0.002	0.000	0.003
AR(2) test (P-value)	0.500	0.519	0.520	0.523
Hansen test of over-identification (P-value)	0.282	0.316	0.219	0.327
Diff-in-Hansen test of exogeneity (P-value)	0.304	0.332	0.293	0.306

Note: (***), (**) and (*) indicate significance at 1%, 5%, and 10% levels respectively. All variables are as defined in Table 1
Source: Researcher's own computations

Columns (3) and (4) report the impact of total institutional ownership on corporate performance, measured by accounting value, using ROA as the dependent variable. In both columns, the coefficient estimates for IO-total are positive and statistically significant.

Overall, the results in Table 4 show a significant positive effect of total institutional ownership on performance, both in terms of market value and accounting value. This supports Hypothesis 1, or the "active monitoring" view, suggesting that institutional investors in Vietnam act as active monitors, enhancing corporate performance. These findings align with previous studies (Elyiasiani, E. & Jia, J., 2010, Ferreira, M. A. & Matos, P., 2008; McConnell, J. J. & Servaes, H., 1990) and support Vietnam's policy to foster institutional investors. The results indicate that the positive effect of institutional ownership on performance holds for both market and accounting metrics, with a stronger impact on ROA. This suggests that institutional ownership contributes to improved operational efficiency and risk reduction. The difference in impact between Tobin's Q and ROA reflects the distinct nature of these performance measures, where Tobin's Q captures future expectations, while ROA focuses on current performance.

The results in Table 4 also reveal that control variables significantly affect corporate performance, both in terms of market and accounting value, as shown in columns (2) and (4). Among the controls, firm size has a significant negative coefficient, indicating that larger firms tend to perform worse than smaller ones. This is consistent with

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findings from (Lanouar, C. & Elmarzougui, A., 2010, Abedin, S. H. et al., 2022), suggesting that larger firms in Vietnam may face more bureaucratic hurdles and higher agency costs. Financial leverage negatively impacts firm performance in both models, in line with (Tsouknidis, D. A., 2019, Le Thi Nhung, 2023), indicating that high interest rates on loans can reduce performance. Firm age has a positive and statistically significant effect, implying that older firms benefit from more experienced management, which enhances performance, as supported by (Wintoki, M. B. et al., 2012). Similarly, liquidity and asset growth also show a positive and significant relationship with performance, aligning with the findings of (Abedin, S. H. et al., 2022).

The specification tests confirm the causal relationship between institutional ownership and corporate performance, as well as the validity of using the S-GMM estimator in this study. The results in Table 4 show no serial correlation in the second difference. Additionally, the Hansen test for over-identification supports the validity of the instruments used. The differences in the Hansen test for over-identification indicate the exogeneity of the instruments in the level equations. The p-value for this test is significant, suggesting that the instruments are exogenous.

4.3. Institutional ownership and corporate performance by investor types

Tables (5) to (7) present the impact of different types of institutional ownership on corporate performance using both accounting and market data. Table 5 tests Hypothesis 2a, which classifies institutional ownership based on the business relationship between institutional investors and invested firms. This table examines the effect of shareholding by pressure-insensitive and pressure-sensitive institutional investors on Tobin's Q and ROA.

Table 6 tests Hypothesis 2b, which differentiates institutional ownership based on the geographical origin of investors. This table examines the impact of shareholding by domestic and foreign institutional investors on Tobin's Q and ROA.

Table 7 tests Hypothesis 2c, which distinguishes institutional ownership based on the size of equity held by investors. This table presents the impact of institutional investors' shareholding size on Tobin's Q and ROA.

In columns (1) and (2), we assess the effect of different types of institutional ownership on market performance, measured by Tobin's Q. In columns (3) and (4), we evaluate the impact of institutional ownership on accounting performance, measured by ROA. Column (1) includes types of institutional ownership and lagged Tobin's Q as independent variables, while column (2) adds a set of control variables.

Tables 5-7 provide evidence of the heterogeneity of institutional investors. Columns (1)-(4) of Table 5 show a positive and statistically significant impact of pressure-insensitive institutional ownership on firm performance, while no significant relationship is found between pressure-sensitive institutional ownership and firm performance. This supports Hypothesis 2a and aligns with findings from (Ferreira, M. A. & Matos, P., 2008; Firth, M. et al., 2016). The result suggests that pressure-insensitive institutional investors play an active monitoring role in corporate governance in Vietnam. Additionally, it supports the efforts of Vietnamese policymakers to promote mutual funds as the primary institutional investors in the Vietnamese stock market.

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Table 5 The Effects of Institutional ownership on corporate performance by pressure-insensitive and pressure-sensitive institutional investors

	Tobin's Q		ROA	
	(1)	(2)	(3)	(4)
IO-act	0.702**	0.836***	0.665***	0.793***
	(0.332)	(0.291)	(0.205)	(0.244)
IO-pass	-0.207	-0.132	-0.200	-0.229
	(1.033)	(1.111)	(0.338)	(0.292)
Lag (Tobin's Q)	0.893*	1.008***		
	(0.541)	(0.332)		
Lag (ROA)			0.926**	1.016***
			(0.481)	(0.311)
LEV		-0.136*		-0.438*
		(0.088)		(0.330)
SIZE		-0.211*		-0.271*
		(0.123)		(0.202)
AGE		0.409*		0.511**
		(0.291)		(0.211)
LIQ		0.274***		0.350***
		(0.101)		(0.117)
GRO		0.336**		0.305**
		(0.182)		(0.145)
Intercept	0.877*	1.067***	0.765*	1.055***
	(0.689)	(0.332)	(0.446)	(0.383)
No. of Obs.	2,851	2,851	2,851	2,851
Adjusted R^2	0.285	0.371	0.299	0.382
N Cross-sections	274	274	274	274
AR(1) test (P-value)	0.002	0.001	0.000	0.001
AR(2) test (P-value)	0.505	0.511	0.538	0.567
Hansen test of over-identification (P-value)	0.282	0.306	0.228	0.327
Diff-in-Hansen test of exogeneity (P-value)	0.307	0.318	0.288	0.320

Note: (***), (**) and (*) indicate significance at 1%, 5%, and 10% levels respectively. All variables are as defined in Table 1
Source: Researcher's own computations

Table 6 shows that institutional ownership positively impacts both market and accounting performance for both local and foreign investors, with foreign institutional ownership having a larger effect in all four columns. This supports Hypothesis 2b, suggesting that foreign institutional investors are more active in monitoring investee firms and more likely to demand changes in corporate governance than domestic investors (Gillan, S. & Starks, L., 2003); (Ferreira, M. A. & Matos, P., 2008). The findings indicate that foreign investors contribute to good governance practices and improved firm performance (Bai, C. et al., 2004; Douma, S. et al., 2006). In highly concentrated ownership markets like Vietnam, foreign institutional investors play a crucial role in minimizing insider control (Santiago-Castro, M. & Baek, H. Y., 2004). Additionally, domestic institutional investors in emerging markets often face political constraints and limited resources, hindering their ability to monitor effectively (Lins, K. V., 2003). In contrast, foreign institutional investors are less affected by political interference, enabling them to provide more effective supervision and positively influence firm performance. This aligns with (Khanna, T. & Palepu, K., 2000), who found that in emerging economies like India, foreign institutional ownership has a positive impact on corporate performance, while domestic ownership may have a negative or neutral effect due to limited expertise.

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Table 6 The Effects of Institutional ownership on corporate performance by geographic origin of institutional investors

	Tobin's Q		ROA	
	(1)	(2)	(3)	(4)
IO-dom	0.967*	1.128***	0.935***	1.206***
	(0.662)	(0.325)	(0.383)	(0.501)
IO-for	0.988**	1.200***	0.993*	1.388***
	(0.540)	(0.502)	(0.703)	(0.556)
Lag (Tobin's Q)	1.008***	1.231***		
	(0.402)	(0.511)		
Lag (ROA)			1.177*	1.367***
			(0.861)	(0.550)
LEV		-0.712*		-0.664**
		(0.508)		(0.377)
SIZE		-0.363*		-0.322*
		(0.260)		(0.248)
AGE		0.302***		0.336**
		(0.116)		(0.164)
LIQ		0.417*		0.506*
		(0.302)		(0.312)
GRO		0.710**		0.632*
		(0.402)		(0.443)
Intercept	2.003**	2.112***	2.014*	2.169**
	(1.201)	(0.813)	(1.552)	(1.303)
No. of Obs.	2,851	2,851	2,851	2,851
Adjusted R^2	0.291	0.382	0.308	0.399
N Cross-sections	274	274	274	274
AR(1) test (P-value)	0.000	0.003	0.002	0.004
AR(2) test (P-value)	0.315	0.398	0.218	0.365
Hansen test of over-identification (P-value)	0.201	0.218	0.109	0.227
Diff-in-Hansen test of exogeneity (P-value)	0.296	0.305	0.301	0.317

Note: (***), (**) and (*) indicate significance at 1%, 5%, and 10% levels respectively. All variables are as defined in Table 1

Source: Researcher's own computations

Table 7 reveals a strong positive correlation between institutional ownership (over 5%) and both market and accounting performance. In contrast, institutional investors holding less than 5% of shares show a negative and significant impact on firm performance in both models. This supports Hypothesis 2c and aligns with findings by (Elyiasiani, E. & Jia, J., 2010). The results suggest that large institutional shareholders in Vietnam are more motivated to actively monitor investee companies, as they stand to gain more from improved performance compared to smaller shareholders. Additionally, small institutional investors (owning less than 5%) may align with management to exploit minority shareholders and overlook governance issues if it benefits them, which is consistent with (Lin, Y. R. & Fu, X. M., 2017), who argue that such exploitation is more common in emerging markets where small investors' interests are less protected.

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Table 7 The Effects of Institutional ownership on corporate performance by the size of institutional investors' shareholdings

	Tobin's Q		ROA	
	(1)	(2)	(3)	(4)
IO-over5	0.887**	1.023***	0.909*	1.016***
	(0.508)	(0.411)	(0.616)	(0.410)
IO-under5	-0.136*	-0.251***	-0.273*	-0.310***
	(0.088)	(0.069)	(0.204)	(0.108)
Lag (Tobin's Q)	0.789***	1.006***		
	(0.302)	(0.414)		
Lag (ROA)			0.863***	1.008***
			(0.333)	(0.412)
LEV		-0.462**		-0.438**
		(0.250)		(0.256)
SIZE		-0.112**		-0.132***
		(0.050)		(0.048)
AGE		0.154*		0.106**
		(0.103)		(0.056)
LIQ		0.281*		0.274*
		(0.202)		(0.201)
GRO		0.119***		0.087**
		(0.046)		(0.050)
Intercept	0.904*	1.118*	0.946*	1.200*
	(0.667)	(0.017)	(0.718)	(0.908)
No. of Obs.	2,851	2,851	2,851	2,851
Adjusted R^2	0.283	0.377	0.266	0.334
N Cross-sections	274	274	274	274
AR(1) test (P-value)	0.002	0.001	0.001	0.001
AR(2) test (P-value)	0.371	0.408	0.362	0.405
Hansen test of over-identification (P-value)	0.225	0.295	0.231	0.287
Diff-in-Hansen test of exogeneity (P-value)	0.214	0.259	0.220	0.263

Note: (***), (**) and (*) indicate significance at 1%, 5%, and 10% levels respectively. All variables are as defined in Table 1

Source: Researcher's own computations

The findings on dynamic endogeneity and control variables are consistent with those in Table 4. Overall, the results suggest that the Vietnamese government should continue implementing structural reforms to encourage investment in the stock market, focusing on developing institutional investors, particularly pressure-insensitive institutions, as well as foreign, domestic, and large organizations.

5. CONCLUSION

Institutional ownership is a key force in stock markets across countries. As the number and scale of investments by institutional investors expands rapidly in developing countries, their access to stock markets has attracted growing scholarly attention as well as policymakers. This research provides additional evidence related to this topic by investigating whether all types of institutional investors play an active and equal monitoring role in firm performance based on market data and accounting data by collecting data in an emerging economy, such as Vietnam. Research using updated data on Vietnamese listed enterprises in the period 2012-2023, dynamic panel data estimation method through the system GMM estimator, an estimator that considers the presence of dynamic endogeneity in the relationship is examined. After controlling firm-specific characteristics (including firm size, financial leverage, firm age, liquidity, and asset growth), the results show that institutional ownership has significant and positive effects on market and accounting performance. This result is consistent with the "active monitoring" view, implying that

institutional investors with close monitoring can help managers make sound strategic decisions in the business process. This leads to reduced information asymmetry, and increased transparency of the investee firm, thereby improving firm performance. This finding is very useful in explaining the Vietnamese government's policies from 2012 to the present to develop institutional investors, which is one of the key solutions to upgrade the Vietnamese stock market from a frontier market to an emerging market. However, not all institutional investors play an active role in monitoring and improving corporate performance. Specifically, the results indicate that pressure-insensitive institutional shareholders, large institutions, and foreign organizations have a larger positive impact on market and accounting performance than those of pressure-sensitive, small, and domestic institutional shareholders.

The empirical results highlight important issues for policymakers, managers, and investors. *First,* Vietnam's policies promoting the development of institutional investors participating in the stock market are generally correct, reflected in better firm performance. *Second,* the Vietnamese government should continue to open the stock market to institutional investors, especially pressure-insensitive, large, domestic, and foreign institutional shareholders. *Third,* investors and managers should be cautious with corporate ownership structures that include many pressure-sensitive, small-scale institutional investors because it can harm firm performance.

Future research could examine the possible effects of institutional ownership on a firm's non-financial activities, such as the impact of institutional ownership on carbon emissions, sustainable development reporting, corporate social responsibility, etc. These topics will be very noteworthy when considered in the context of an emerging economy like Vietnam.

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Conflict of interest declaration:

The research team commits to providing clear and honest information and documents, ensuring scientific integrity. The research team also commits to not having conflicts of interest with any organization or individual.

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