OWNERSHIP STRUCTURE, TAX AVOIDANCE, AND FINACIAL PERFORMANCE: EVIDENCE FROM LISTED FIRMS IN VIETNAM

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Abstract: ***This study investigates the impact of ownership structure on firm financial performance, with tax avoidance acting as a mediating mechanism in the context of Vietnam. Using panel data from 426 non-financial firms listed on the Vietnamese stock market over the period 2015-2024, the study employs fixed-effects estimations to examine both the direct and indirect relationships among ownership structure, tax avoidance, and financial performance. The empirical results indicate that ownership structure exerts heterogeneous effects on corporate tax avoidance and firm performance. In particular, state ownership significantly reduces the level of tax avoidance, whereas institutional ownership and foreign ownership encourage tax planning strategies. Furthermore, tax avoidance exhibits a strong and statistically significant positive association with financial performance, suggesting that it serves as an important transmission channel through which ownership structure influences firm outcomes. These findings imply that tax avoidance may generate financial value when it operates under appropriate governance mechanisms and monitoring structures. The study contributes to the corporate governance literature by providing new empirical evidence on the behavioral channel linking ownership structure and firm performance in an emerging market setting.***

• Keywords: *ownership structure; tax avoidance; financial performance; corporate governance; emerging markets.*

JEL codes: G32; H26; G34; M41

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1. Introduction

Firm financial performance represents a central indicator reflecting a firm's ability to create value and utilize resources efficiently. As such, it plays a critical role in the decision-making processes of key stakeholders, including shareholders, investors, creditors, and government authorities. Over the past decades, the relationship between ownership structure and firm financial performance has been widely examined in the corporate governance literature. However, empirical findings remain inconclusive. Prior studies suggest that ownership structure may influence financial performance through monitoring mechanisms and managerial incentives, yet the direction and magnitude of these effects vary significantly across different types of ownership. In addition, most existing studies primarily focus on the direct relationship between ownership structure and financial performance, while the underlying mechanisms through which ownership structure affects firm outcomes remain insufficiently explored.

Tax avoidance has emerged as a potentially important intermediate mechanism that reflects managerial strategic choices when balancing short-term financial benefits and long-term risks. Although tax avoidance may enhance cash flows and increase after-tax profits, its impact on financial performance is not uniform and appears to depend heavily on ownership structure and the broader corporate governance environment, particularly in emerging markets. Consequently, empirical evidence regarding the mediating role of tax avoidance remains fragmented and inconclusive.

Addressing this research gap, this study examines both the direct and indirect effects of ownership structure on the financial performance of non-financial firms listed on the Vietnamese stock market, with tax avoidance considered as a mediating variable. Specifically, the study investigates how different forms of ownership shape firms' tax avoidance behavior and how this behavior subsequently influences financial performance. By doing so, the study contributes additional empirical evidence to the corporate governance literature in emerging economies. Furthermore, the findings provide important implications for corporate managers and policymakers in designing effective governance mechanisms and tax policies that balance the

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objectives of financial performance improvement and long-term sustainability.

2. Literature review and hypothesis development

In the context of an increasingly institutionalized market economy, ownership structure has been widely recognized as a core governance mechanism shaping managerial behavior and corporate outcomes. The distribution of ownership among the state, managerial shareholders, institutional investors, and foreign investors not only influences the monitoring of managers but also shapes strategic decisions related to resource allocation and cost management, thereby affecting firm financial performance.

International empirical evidence suggests that ownership structure plays an important role in determining financial performance; however, the direction and magnitude of this relationship remain inconclusive. More recent evidence from Nie and Ye (2022) confirms a nonlinear relationship between state ownership and financial performance and shows that foreign ownership improves performance only up to a certain threshold before the effect begins to decline. In complex ownership environments, Yurtoglu (2000) finds that firms operating under pyramid ownership structures tend to exhibit lower financial performance because excessive control rights relative to cash flow rights increase agency costs. These findings suggest that the impact of ownership structure on financial performance is not universal but depends on ownership type and the degree of control concentration.

The mixed empirical evidence discussed above implies that the relationship between ownership structure and financial performance may not operate solely through direct effects but may also be transmitted through internal strategic decisions within firms. From the perspective of agency theory, an increase in managerial ownership aligns the interests of managers with those of shareholders, thereby encouraging decisions that maximize firm performance. In contrast, state ownership may reduce financial performance because state shareholders often prioritize political and social objectives over profit maximization (Jensen & Meckling, 1976; Qi, Wu, & Zhang, 2000). Based on these arguments, the study proposes the following hypotheses:

H_{1a}: State ownership is negatively associated with financial performance.

H_{1b}: Managerial ownership is positively associated with financial performance.

H_{1c}: Institutional ownership is positively associated with financial performance.

H_{1d} : Foreign ownership is positively associated with financial performance.

However, these theoretical perspectives also suggest that ownership structure may influence not only the final outcome of financial performance but also intermediate strategic decisions within firms, among which tax avoidance represents an important financial decision. According to resource dependence theory, non-state shareholders tend to view taxation as a cost that should be minimized in order to improve profitability, whereas state shareholders often associate tax payments with broader public objectives and socio-economic stability (Boubakri, Cosset, & Saffar, 2008; Pfeffer, 1973). Consequently, state ownership is expected to reduce the level of tax avoidance, while managerial ownership, institutional ownership, and foreign ownership may create stronger incentives for firms to engage in tax avoidance strategies aimed at maximizing financial benefits.

Based on this reasoning, the study proposes the following hypotheses:

H_{2a}: State ownership negatively affects tax avoidance.

H_{2b}: Managerial ownership positively affects tax avoidance.

H_{2c}: Foreign ownership positively affects tax avoidance.

H_{2d}: Institutional ownership positively affects tax avoidance.

In the Vietnamese context, where ownership structures are diverse and often characterized by specific ownership thresholds, Phung and Mishra (2016) show that the effects of state ownership and foreign ownership on financial performance are nonlinear and depend on ownership levels. This finding highlights the complexity of internal corporate behaviors, such as tax avoidance, which may serve as an important transmission channel through which ownership structure influences financial performance. Nevertheless, international evidence on the mediating role of tax avoidance remains inconclusive. Prayitno, Tarmidi, and Oktris (2023) find no mediating effect of tax avoidance, whereas Raslan and Hussein Thabet (2024) demonstrate that tax avoidance may function as either a positive or negative mediator depending on the type of ownership. These differences indicate that tax avoidance should not be viewed as an independent factor but rather as a behavioral channel shaped by ownership structure and accompanying governance mechanisms.

Accordingly, this study expects tax avoidance to act as a mediating mechanism linking ownership structure and firm financial performance in Vietnam. From the perspective of information asymmetry theory, although tax avoidance may generate short-term cash flow benefits, it can also increase the complexity and opacity of financial reporting. This may make it more difficult for investors to accurately assess firm performance and may ultimately increase the firm's cost of capital (Akerlof, 1970; Stiglitz, 1975). Based on this reasoning, the study proposes the following hypothesis:

H3: Tax avoidance negatively affects firm profitability.

3. Research Methodology

3.1. Research Model

This study develops an empirical modeling framework to examine the impact of ownership structure on firm financial performance, with tax avoidance acting as a mediating mechanism. Using firm-level panel data across time, the study estimates two equations sequentially to identify the mediating role of tax avoidance.

First, the following equation is employed to analyze the determinants of corporate tax avoidance:

$$TA_{it} = \beta_0 + \beta_1 MO_{it} + \beta_2 GOV_{it} + \beta_3 INST_{it} + \beta_4 FORE_{it} + \gamma CONTROLS_{it} + \mu_i + \varepsilon_{it} \quad (1)$$

where TA_{it} represents the level of tax avoidance of firm iin year t. In this model, tax avoidance is explained by several components of ownership structure, including managerial ownership, state ownership, institutional ownership, and foreign ownership. In addition, the model controls for firm characteristics such as financial leverage, firm size, capital intensity, audit quality, and loss status. This specification allows the study to determine whether ownership structure significantly influences firms' tax avoidance behavior, thereby providing the basis for testing the mediating role of tax avoidance.

Next, Equation (2) examines the joint effects of tax avoidance and ownership structure on firm financial performance, measured by return on assets (ROA):

$$ROA_{it} = \beta_0 + \beta_1 TA_{it} + \beta_2 MO_{it} + \beta_3 GOV_{it} + \beta_4 INST_{it} + \beta_5 FORE_{it} + \gamma CONTROLS_{it} + \mu_i + \varepsilon_{it} \quad (2)$$

In addition to ownership variables, the model incorporates several control variables capturing key firm characteristics, including capital structure, firm size, growth opportunities, and cash flow generation. The inclusion of cash holdings enables the model to account for the direct benefit of tax avoidance through increased internal cash flow, while also considering potential agency costs arising when excess cash is not effectively monitored. The mediating role of tax avoidance is confirmed if ownership structure significantly affects tax avoidance in Equation (1), and tax avoidance, in turn, significantly influences financial performance in Equation (2) after controlling for firm-specific characteristics.

3.2. Estimation Method

This study employs panel data of non-financial firms listed on the Vietnamese stock market over the period 2015-2024 to examine the direct, mediating, and moderated mediating effects of ownership structure on firm financial performance, with tax avoidance serving as the mediating variable. The use of panel data allows the analysis to control for unobservable firm-specific characteristics that remain constant over time, thereby mitigating potential bias arising from inherent firm heterogeneity.

The regression models are estimated sequentially using pooled ordinary least squares, the fixed-effects model, and the random-effects model. The selection of the most appropriate model is determined through the F-test and the Hausman test. The results indicate that the fixed-effects model is preferred in most cases, suggesting the presence of firm-specific heterogeneity across the sample firms.

To ensure the robustness and reliability of the estimation results in the presence of heteroskedasticity and serial correlation, the study employs cluster-robust standard errors at the firm level. This approach helps produce consistent and reliable inference for panel data estimations.

The mediating role of tax avoidance is examined by simultaneously estimating the mediation equation (Equation 1) and the outcome equation (Equation 2). Mediation is confirmed when ownership structure significantly affects tax avoidance in Equation (1), and tax avoidance subsequently has a statistically significant effect on financial performance in Equation (2) after controlling for firm characteristics.

3.3. Variable Measurement

Table 1 presents the measurement of variables used in this study.

Table 1. Variables measurement

Variables	Code	Measurement	Source
Dependent variable			
Return on asset	ROA	Net income/Total assets	(Phung & Mishra, 2016)
Independent Variables			
State ownership	GOV	The percentage of state ownership	(Tao, Laixiang, & Liang, 2009; Vo, 2020)
Managerial ownership	MO	The percentage of shares held by managers of the firm	(Qi, Wu, & Zhang, 2000)

Variables	Code	Measurement	Source
Institution ownership	INST	The percentage of institutional ownership	(Khanna & Rivkin, 2001; Yeh, 2019)
Foreign ownership	FORE	The percentage of foreign ownership	(Rashid, 2020)
Mediating Variables			
Tax avoidance	TA	Statutory tax rate – (Cash taxes paid / Pretax income) with observations restricted to 0 < ETR < 1	
Control Variables			
Leverage	LEV	Total liabilities/Total assets	Control Variables
Firm size	SIZE	Ln(Book value of total assets)	(Tao, Laixiang, & Liang, 2009)
Capital intensity	GROWTH	Tangible fixed assets / Total assets	(Al-Ahdal et al., 2023; Shan, 2019)
Cash holdings	CASH	Cash and cash equivalents / Total assets	(Khanna & Rivkin, 2001; Yeh, 2019)
Audit quality	BIG4	BIG4 =1 if firm audited by Big 4 companies; 0 otherwise	(Khanna & Rivkin, 2001)
Loss status	LOSS	LOSS = 1 if the firm reports a loss in a given year; 0 otherwise	(Skousen, Smith, & Wright, 2009)

Source: Author's compilation based on prior studies.

4. Data and Descriptive Statistics

To examine the impact of ownership structure on firm financial performance with the mediating role of tax avoidance in the Vietnamese context, this study constructs a balanced panel dataset of non-financial firms listed on the Ho Chi Minh City Stock Exchange and the Hanoi Stock Exchange during the period 2015-2024. The data are collected from the Vietstock database and audited annual financial statements of listed firms. Consistent with prior studies, firms operating in the financial sector are excluded from the sample due to their distinct accounting regulations and financial structures compared with non-financial firms. The final sample covers ten economic sectors based on the Industry Classification Benchmark (ICB) at the level-2 classification. Firms with missing data, firms that were delisted, or firms that were not listed for a sufficient number of years during the study period are removed to ensure the consistency and comparability of the panel dataset. After applying these screening criteria, the final dataset consists of 426 listed non-financial firms, corresponding to 4,260 firm-year observations.

To provide an initial overview of the characteristics of the research sample, descriptive statistics for all variables used in the analysis are presented in Table 2.

Table 2: Descriptive statistics

Variable	Observations	Mean	Std. Dev.	Min	Max
Financial performance					
ROA	4,260	0.123	0.169	-0.055	0.761
Ownership structure					
MO	4,260	10.32	15.53	0	93.52
GOV	4,260	18.95	25.25	0	96.72
INST	4,260	35.94	29.23	0	99.78
FORE	4,260	5.83	13.83	0	94.11
Mediator variable					
TA	4,260	0.009	0.111	-0.298	0.244
Control variables					
LEV	4,260	0.774	0.368	0	1.785
SIZE	4,260	27.504	1.595	23.8	31.669
GROWTH	4,260	0.001	0.395	-0.945	1.56
CAPINT	4,260	0.188	0.196	0	0.836
LOSS	4,260	0.054	0.226	0	1
BIG4	4,260	0.263	0.44	0	1
CASH	4,260	0.048	0.055	0	0.31

Source: Author's calculation

The descriptive statistics summarize the basic characteristics of the 4,260 firm-year observations of non-financial listed firms during the study period. Financial performance, measured by ROA, has an average value of 0.123 with a standard deviation of 0.169, indicating considerable variation in profitability across firms and suggesting the coexistence of both highly profitable and less efficient firms in the sample. Regarding ownership structure, institutional ownership represents the largest proportion with an average of 35.94%, followed by state ownership at 18.95% and managerial ownership at 10.32%, while foreign ownership accounts for a relatively smaller share at 5.83%. This ownership distribution reflects a common characteristic of listed firms in Vietnam, where institutional investors and the state continue to play important roles in corporate governance and strategic decision-making.

The mediating variable, tax avoidance, exhibits a relatively low mean value but a noticeable dispersion, suggesting considerable heterogeneity in tax avoidance practices among firms. For the control variables, firm size appears relatively stable, whereas growth and capital intensity display higher variability, reflecting differences in investment strategies, development cycles, and operating conditions among firms within the sample.

5. Results

5.1. Mediating Equation

The study result presents the Pearson correlation matrix among the variables used in the research model, together with the variance inflation factors (VIF) to assess potential multicollinearity. The results indicate that most correlation coefficients among the independent variables are relatively small, suggesting weak linear relationships.

The multicollinearity test further confirms this observation, as all VIF values are close to 1 and remain well below the commonly accepted threshold. The average VIF is 1.09, indicating that multicollinearity is not a serious concern in the model. Therefore, the regression estimates in the subsequent analysis are expected to be stable and reliable.

Table 3: Model Selection Tests

Test	Statistic	Degrees of Freedom	P-value	Conclusion
F test (OLS vs FEM)	F = 4.97	(425, 3824)	0.00	Fixed effects exist; pooled OLS is not appropriate
Hausman test	χ^2 = 55.68	10	0.00	Reject H0; fixed-effects model is preferred
Modified Wald test	$\chi^2 = 1.4 \times 10^5$	426	0.00	Heteroskedasticity is present
Wooldridge test	F = 47.511	(1, 425)	0.00	Serial correlation is present

Source: Author's calculation

The results of the model selection tests indicate that the fixed-effects model is the most The results of the model selection tests indicate that the fixed-effects model is the most appropriate specification for the panel dataset. The F test comparing pooled OLS and the fixed-effects model yields an F statistic of 4.97 (p-value = 0.00), confirming the presence of firm-specific effects and suggesting that the pooled OLS estimator is inappropriate.

The Hausman test further supports this result by rejecting the null hypothesis of no systematic difference between the fixed-effects and random-effects estimators (χ^2 = 55.68; p-value = 0.00), indicating that the fixed-effects model should be preferred. In addition, the diagnostic tests reveal violations of classical regression assumptions. The Modified Wald test indicates the presence of heteroskedasticity across firms ($\chi^2 = 1.4 \times 10^5$; p-value = 0.00), while the Wooldridge test confirms the existence of first-order serial correlation in the panel data (F = 47.511; p-value = 0.00). Given these results, the subsequent estimations employ the fixed-effects model with cluster-robust standard errors at the firm level to obtain consistent and reliable inference.

Table 4: Fixed-Effects Regression Results (FEM)

Variable	Coefficient	Std. Error	t-statistic	P-value	Significance
MO	0.0001	0.0001	0.82	0.415	
GOV	-0.001	0.0001	-16.38	0	***
INST	0.0002	0.0001	3.83	0	***
FORE	0.0001	0.0001	1.78	0.075	*
LEV	-0.0047	0.0022	-2.13	0.034	**
SIZE	-0.0073	0.0038	-1.89	0.059	*
GROWTH	-0.007	0.0024	-2.86	0.004	***
CAPINT	0.0166	0.0153	1.08	0.28	
LOSS	-0.2225	0.0051	-43.81	0	***
BIG4	-0.1159	0.0040	-28.92	0	***
Constant	0.2617	0.1063	2.46	0.014	**
Model statistics					
Observations: 4.260					
Number of firms: 426					
R^2 (within): 0.6772					
F-statistic: 426.77					
Prob > F: 0.0000					
Standard errors: clustered at the firm level					

Source: Author's calculation

The estimation results indicate heterogeneous effects of ownership structure on tax avoidance and provide partial support for the proposed hypotheses. State ownership exhibits a negative and statistically significant coefficient (-0.001, p < 0.01), suggesting that a one-percentage-point increase in state ownership reduces tax avoidance by approximately 0.001 units. This finding supports Hypothesis $H2_a$ and reflects the monitoring and disciplinary role of the state in constraining aggressive tax strategies.

In contrast, managerial ownership does not show a statistically significant effect (p = 0.415), indicating that Hypothesis $H2_b$ is not supported. Foreign ownership has a positive effect on tax avoidance and is statistically significant at the 10% level (p = 0.075), providing weak support for Hypothesis $H2_c$. Institutional ownership shows a positive and significant effect at the 1% level (β=0.0002), supporting Hypothesis $H2_d$, while foreign ownership also exhibits a positive effect but with weaker significance at the 10% level (p = 0.075). These results suggest that institutional and foreign investors may encourage tax planning strategies that enhance firms' financial flexibility.

Regarding the control variables, leverage and revenue growth both show significant negative effects on tax avoidance, while firm size is weakly significant at the 10% level. In addition, loss status and Big4 auditing significantly reduce tax avoidance, highlighting the importance of financial conditions and external monitoring in constraining opportunistic tax behavior. Capital intensity does not show a significant effect. With a within R^2 of 0.6772 and an F-statistic significant at the 1% level, the model demonstrates strong explanatory power. The estimates remain reliable after adjusting the standard errors for firm-level clustering.

5.2. Outcome Equation

The correlation matrix indicates that the linear relationships among the variables are generally low to moderate, suggesting that the risk of information overlap among the explanatory variables is limited. The VIF results further show that all values remain below commonly accepted thresholds, with an average VIF of 1.40. This confirms that the model does not suffer from serious multicollinearity and is suitable for subsequent regression analyses.

Table 5: Model selection tests

Test	Statistic	Degrees of freedom	P-value	Conclusion
F test (OLS vs FEM)	F = 2.01	(425, 3822)	0.00	Fixed effects exist; pooled OLS is not appropriate
Hausman test (FEM vs REM)	χ^2 = 67.06	12	0.00	Reject H0; the fixed-effects model is preferred

Test	Statistic	Degrees of freedom	P-value	Conclusion
Modified Wald test	$\chi^2 = 7.7 \times 10^6$	426	0.00	Presence of heteroskedasticity
Wooldridge test	F = 4.851	(1, 425)	0.0159	Presence of serial correlation

Source: Author's calculation

The results of the model selection tests indicate that the fixed-effects model is appropriate for the dataset. Specifically, the F test comparing the pooled OLS model and the fixed-effects model yields an F-statistic of 2.01 with a p-value of 0.00, indicating the presence of firm-specific fixed effects and suggesting that the pooled OLS model is not suitable. The Hausman test further rejects the null hypothesis ($\chi^2 = 67.06$; p-value = 0.00), confirming that the fixed-effects model is preferred over the random-effects model.

In addition, diagnostic tests reveal the presence of heteroskedasticity (Modified Wald test, $\chi^2 = 7.7 \times 10^6$; p-value = 0.00) and serial correlation over time (Wooldridge test, F = 4.851; p-value = 0.0282). Therefore, subsequent estimations employ appropriate error corrections to ensure the consistency and reliability of the empirical results.

Table 6: Fixed-Effects Regression Results (FEM)

Variable	Coefficient	Std. Error	t-statistic	P-value	Significance
TA	1.5725	0.0593	26.5300	0.0000	***
MO	0.0000	0.0001	-0.0300	0.9770	
GOV	-0.0002	0.0001	-1.3600	0.1750	
INST	0.0002	0.0001	1.9500	0.0510	*
FORE	0.0005	0.0001	3.5200	0.0000	***
LEV	-0.0026	0.0051	-0.5000	0.6140	
SIZE	-0.0118	0.0069	-1.7000	0.0890	*
GROWTH	-0.0073	0.0061	-1.1900	0.2350	
CAPINT	0.0527	0.0296	1.7800	0.0760	*
LOSS	0.3119	0.0163	19.1300	0.0000	***
BIG4	0.1812	0.0094	19.2200	0.0000	***
CASH	0.0141	0.0686	0.2100	0.8380	
Constant	0.3517	0.1911	1.8400	0.0660	*
Model statistics					
Observations: 4,260					
Number of firms: 426					
R^2 (overall): 0.3950					
F-statistic: 91.90					
Prob > F: 0.0000					
Standard errors: clustered at the firm level					

Source: Author's calculation

The estimation results indicate that tax avoidance has a strong and statistically significant positive effect on financial performance, with a coefficient of 1.5725 (p-value < 0.01). This finding rejects Hypothesis H3, which predicted a negative relationship between tax avoidance and profitability. The result suggests that, in an emerging market context such as Vietnam, tax avoidance may function as an important channel through which firms improve financial resources and convert them into better operational performance. In this sense, tax avoidance may serve not only as an opportunistic behavior but also as a financial management strategy that reduces tax burdens and enhances short-term cash flows.

Among the ownership variables, institutional ownership and foreign ownership exhibit positive effects on financial performance. Institutional ownership is weakly significant at the 10% level, while foreign ownership is strongly significant at the 1% level, providing partial support for Hypotheses $H1_c$ and $H1_d$.. These findings suggest that institutional and foreign investors may contribute to improved firm performance through monitoring mechanisms and managerial expertise. In contrast, managerial ownership and state ownership do not show statistically significant effects in the outcome equation, indicating that Hypotheses $H1_a$ and $H1_b$ are not supported in the direct relationship with financial performance.

Regarding the control variables, firm size shows a negative effect that is weakly significant at the 10% level, while capital intensity also displays a positive effect at the same significance level. Loss status and auditing by Big4 firms both exhibit large positive coefficients and strong statistical significance, indicating substantial differences in financial performance across firms depending on their financial conditions and governance environments. With a within R^2 of 0.3950 and an F-statistic significant at the 1% level, the model demonstrates acceptable explanatory power, and the estimates remain reliable after adjusting the standard errors for firm-level clustering.

6. Discussion and Implications

6.1. Discussion

The empirical findings indicate that tax avoidance plays a central role in the relationship between ownership structure and the financial performance of listed firms in Vietnam. The strong and statistically significant positive effect of tax avoidance on financial performance suggests that, within the context of an emerging market, the benefits derived from tax savings can be transformed into financial resources that enhance firm profitability. From a financial perspective, a reduction in tax obligations increases after-tax cash flows, providing firms with additional capacity to reinvest, strengthen liquidity, or reduce reliance on external financing. In the Vietnamese context, where the cost of capital remains relatively high and access to long-term financing is uneven across firms, the additional cash flows generated through tax avoidance may quickly translate into improved operational outcomes.

Furthermore, the impact of ownership structure on tax avoidance reveals the distinct roles of different shareholder groups in shaping corporate financial strategies. State ownership exhibits a significant negative effect on tax avoidance, reflecting stronger incentives for compliance due to accountability pressures, reputational concerns, and policy objectives. This finding is consistent with the governance context in Vietnam, where firms with state ownership are often subject to stricter oversight and tend to prioritize regulatory compliance over aggressive tax optimization. In contrast, institutional ownership and foreign ownership both show positive effects on tax avoidance, suggesting that these shareholder groups may encourage tax planning strategies aimed at enhancing cash flows and firm value.

In the outcome equation, foreign ownership demonstrates a strong positive effect on financial performance, while institutional ownership shows a weakly positive and marginally significant effect. These results suggest that professional investors, particularly foreign shareholders, may contribute to improved firm performance through enhanced monitoring and governance expertise. In contrast, state ownership and managerial ownership do not exhibit statistically significant effects on financial performance. The absence of a direct effect of state ownership, combined with its significant influence on tax avoidance, highlights the indirect role of the state in shaping corporate outcomes through firms' tax strategies. Overall, the results suggest that tax avoidance may create financial value when it operates within a governance structure that balances monitoring incentives and strategic tax planning in Vietnamese firms.

6.2. Implications

Based on the empirical findings, this study provides several key implications for three major stakeholder groups.

First, for regulators and policymakers, the results indicate that tax avoidance may generate financial value in the context of emerging markets; however, this effect is conditional and depends on ownership structure as well as monitoring mechanisms. Therefore, tax policies should be designed in a way that balances the objective of government revenue collection with the need to provide firms with reasonable financial flexibility. At the same time, improving the quality of enforcement and transparency is essential to limit opportunistic tax avoidance practices. The disciplinary role of state ownership further suggests that governance standards and accountability mechanisms may serve as more effective regulatory tools than purely administrative interventions.

Second, for firms, the findings imply that tax avoidance may function as a short-term financial management tool when implemented within an appropriate risk management framework. Firms should carefully weigh the benefits of additional cash flows against potential compliance risks, particularly in a context where institutional and regulatory environments continue to evolve.

Third, for investors, especially institutional and foreign investors, ownership structure not only directly influences financial performance but also shapes corporate tax behavior. Consequently, firm evaluation should consider tax strategies, governance quality, and the sustainability of earnings simultaneously, rather than relying solely on short-term financial outcomes.

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