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**DIVIDEND POLICY OF LISTED TRANSPORTATION  
CONSTRUCTION COMPANIES IN VIET NAM**

*Major: Finance - Banking*

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**SUMMARY OF THE DOCTORAL THESIS**

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**The thesis has been completed at the Academy of Finance**

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**The thesis will be defended at the Council of thesis assessment at the Academy level, meeting at the Academy of Finance**

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## **PREAMBLE**

### **1. Rationale**

Dividend policy is one of the three important policies of financial policies (mobilization policy, investment policy and dividend policy) of joint stock companies. In particular, dividend policy is an important factor for managers to regulate retained earnings for company development and profits distributed to shareholders so as to meet the needs of investment capital for development of the business, while meeting the requirements of shareholders who are interested in dividends.

Understanding the importance of dividend policy, many scientists around the world and in Vietnam have participated in research on related. However, the studies mostly concern the sample with companies in a variety of industries, many specific fields have not been studied.

According to the orientation of economic development to 2030, the policy of the Party and State also shows the focus on the development of transport infrastructure. Although the companies in the industry have made certain achievements, in the face of increasing demands from the market and increasing competitive pressure from foreign companies, transportation construction companies in Vietnam has revealed many weaknesses. Most of the companies in the group only focus on investment and mobilization policies, dividend policy has not received adequate attention. The lack of rationality in the implementation of dividend policy leads to companies not maximizing resources as well as negatively affecting the stock price and reputation of companies in the market.

Therefore, continuing to research and perfect the financial structure for transportation construction companies listed in Vietnam is very urgent and meaningful for the development of listed transportation construction companies in particular and for the development of the economy in general. Deriving from the above, the PhD student chooses the topic ***"Dividend policy of listed transportation construction companies in Vietnam"***

### **2. Overview of the research reality related to the Thesis title**

Many researches, both domestic and foreign, have delved into the analysis of the factors affecting the company's policy and studied how the policy affects the company. However, the results of the studies indicate that there is a huge difference between the theory and the empirical results in the context of different markets and different times. Therefore, having more experimental research works will clarify the theoretical system and enrich the experimental results in practice. In Vietnam today, most researchers sample Vietnamese companies in many different industry groups to study dividend policy. There are only a few studies focusing on the dividend policy of a specific group of companies while each industry has its own technical and economic characteristics and needs separate studies to be able to plan a reasonable dividend policy.

### **3. Purpose and task research of the thesis**

*Purpose of study:* On the basis of systematizing the theory and studying the current situation, the thesis will offer some solutions to improve the dividend policy of the listed transportation construction companies in Vietnam, vision to 2030. The solutions proposed must be based on science and practice, be novel, inherit, practical, synchronous, and suitable with the practice of currently listed transportation construction companies

*Tasks of study:*

- Firstly, systematize and clarify the theoretical basis related to dividend policy. Research and learn experience in corporate governance planning of joint stock companies in foreign countries and draw lessons for joint stock companies in Vietnam.

- Secondly, analyze and evaluate the current state of dividend policies of Transportation Construction companies listed in Vietnam, thereby pointing out the limitations and causes. Evaluate the impact of factors affecting dividend policy and the impact of dividend policy on the company.

- Thirdly, propose a system of solutions to improve the dividend policies of Transportation Construction companies listed in Vietnam, with a vision to 2030.

### **4. Object and scope of the study**

**4.1. Object of study:** Dividend policy of Transport Construction listed in Vietnam

## **4.2. Scope of the study**

The study is limited to the scope of the policy of 22 Listed Transportation Construction companies listed on the Vietnam stock market

Research uses reported data of 22 construction companies listed on Vietnam stock market in the period 2016-2020 and solution orientation to 2030.

## **5. Methods and research framework of the thesis**

*Analytical method basic include:* synthesis method; statistical and comparative methods; analysis method, expert interview method.

*Technical analysis method:*

+ With the questionnaire designed based on the Likert Scale 5, the author uses an econometric model to assess the influence of the factors according to the results taken from the Administrative staffs of the companies and Financial Experts' surveys.

+ With the data taken from the financial statements of the companies in the sample, the author builds the FEM model and the REM model, and uses Hausman test to find the appropriateness of the model.

## **6. The new contributions of the thesis:**

### **6.1. Theoretical contributions**

+ The thesis has systematized and deepened the theoretical framework of dividend policy in joint stock companies, particularly listed Transportation Construction Companies.

+ The thesis studies dividend decisions made in companies in other countries, particularly in the Transportation Construction industry group in the current period, and applies this experience to listed Transportation Construction Companies. As a result, the sample companies of the research benefit from lessons in dividend policymaking.

### **6.2. Contribution in practice**

+ The thesis examines the substance of dividend policies of transport construction businesses listed on the Vietnamese stock exchange from 2016 to 2020, analyzing the dividend policy's benefits and drawbacks.

+ The thesis has carried out an expert survey in conjunction with the development of an econometric model to investigate the influence of the factors affecting the dividend decision-making of the companies in the sample, as well as the impact of dividend policy decisions on the firms listed.

### ***6.3. Solution contribution***

Based on the analysis of the socio-economic context and development orientation of Vietnam's Transportation Construction Industry, with a view to 2030, the thesis proposes ideas and recommendations to enhance the dividend policy of listed Transportation Construction businesses in Vietnam, with a focus on payment model development, dividends paid in the short and long term for each company group with a defined size and profit per share.

## **7. Structure of the study**

*Chapter 1:* General theory of the dividend policy of joint stock companies

*Chapter 2:* Reality of the dividend policy of listed Transportation Construction Companies in Vietnam

*Chapter 3:* Improving the dividend policy of listed Transportation Construction Companies in Vietnam

# CHAPTER 1: GENERAL THEORY OF THE DIVIDEND POLICY OF JOINT STOCK COMPANIES

## 1.1 Overview of dividends of joint stock companies

Dividends are “The share of profit after tax of a joint stock company is paid to the shareholders of the company based on the number and nature of shares held by the shareholders”

## 1.2 Dividend policy of joint stock companies

### 1.2.1 Concept, Objectives and roles of Dividend Policy

#### 1.2.1.1 The concept of dividend policy

On the basis of the study of existing research works in both theory and practice, the author proposes the concept of dividend policy as follows: “Dividend policy shows the relationship between the portion of profits used to pay dividends to shareholders at present and the part of profits used to reinvest in the company to benefit shareholders in the future”

#### 1.2.1.2 Objectives of dividend policy

Dividend policy, together with mobilization policy and investment policy, aims to maximize the value of shareholders' shares.

#### 1.2.1.3 Role of Dividend Policy

+ For Shareholders:

*Firstly*, dividend policy affects the income of shareholders at present, directly affects the personal financial plan of shareholders. *Secondly*, dividend policy affects income from capital gains. *Thirdly*, many investors have their own requirements for expected dividends and they will choose dividend stocks that match their personal goals. *Fourthly*, dividend policy affects future dividends of shareholders.

+ for the company: *Firstly*, dividend policy affects the company's financing policy. *Secondly*, dividend policy affects the company's investment policy.

### 1.2.2 Contents of dividend policy

In order to evaluate the dividend policy in the most comprehensive way, it is necessary to consider the dividend policy from four angles:

+ *Payment method: (1) Cash dividend. (2) Dividend by shares and (3) Dividends by assets.*

+ *Frequency of dividend payments: The number of times the company pays dividends in a year is the frequency of dividend payments per year.*

+ *Process of dividend payment: The Board of Directors must hold a meeting to agree on the dividend payment, then propose to the General Meeting of Shareholders for approval.*

+ *Dividend model: based on the orientation of dividend policy, the dividend payment models can be divided into 4 main groups: (1) stable dividend (2) Residual model (3) Stable dividend at a low level and paying extra at the end of the year, (4) stable dividend payout ratio*

### **1.2.3. Criteria and criteria for evaluating dividend policy**

#### *1.2.3.1 Qualitative criteria*

+ Compliance with legal regulations on dividend policy.

+ The conformity of dividend policy with the business strategy of listed companies.

+ The compatibility of dividend policy with the financial situation of the listed company.

+ Dividend policy facilitates companies to seize business opportunities or prevent business risks

#### *1.2.3.2 Quantitative indicators*

(1) Dividend per Share (DPS) = Dividends / Shares Outstanding

(2) Dividend Payout Ratio (DPR) = Dividends per Share / Earning Per Share

(3) Dividend Yield (DY) = Dividend per Share/ Market Price

(4) Dividend Rate (DR) = Dividend per Share/ Par Value

## **1.3 Factors affecting dividend policy and the impact of dividend policy on the company shares**

### **1.3.1 Factors affecting dividend policy**

#### *1.3.1.1 Objective factors*

+ Tax policy: dividend tax, corporate income tax

+ Inflation, interest rate and access to loans

+ Law on investor protection



### *1.3.1.2 Subjective factors*

+ Factors related to company characteristics: business field, age of the company, capital ownership structure, state ownership or foreign countries, company size, previous year's dividend policy, audit quality

+ Factors related to the company's financial position: Profit, earnings per share (EPS), Revenue, Speed revenue growth, Price-to-earnings ratio (Price Earning Rate), Profitability (Return of Asset, Return of Equity, Return of Investment Capital)

+ Factors related to risk and opportunity: Leverage Financial, Business risks, Growth opportunities, Investment opportunities

### ***1.3.2 Impact of dividend policy on joint stock companies***

#### *1.3.2.1 Dividend policy's impact on share price*

+ Dividend policy has no impact Stock price: According to M&M theory, stock price depends only on investment policy.

+ Dividend policy is positively related to stock price: Theories are put forward to support this view such as: "Bird in hand theory" by Myron Gordon (1962).

+ Dividend policy has negative effect on stock price: Theories put forward to support this view are: Al-Malkawi (200) "Clientele Effect", Litzenberger and Ramaswamy (1979) "Tax Preference theory"

#### *1.3.2.2 Dividend policy affects sustainable growth rate*

This ratio was suggested by Higgin (1977) and when retained earnings ratio increases then the sustainable growth rate increases and vice versa

Sustainable Growth Rate (SGR) = Return on Equity x Retained earnings

#### *1.3.2.3 Impact of dividend policy on average cost of capital*

The average cost of capital (Weighted Average Cost Capital) will increase if the company because of its high dividend policy has to use borrowed capital for new projects.

#### *1.3.2.4 Dividend policy affects the company's liquidity*

Liquidity will be greatly affected by dividend policy because when paying dividends, companies will lose a large amount of cash

#### *1.3.2.5 Dividend policy affects the relationship inside and outside the company*

*Firstly*, Dividend policy affects creditors: the interests of shareholders are to satisfy the need to realize income, the interests of creditors are to ensure security. all loans. *Secondly*, Dividend policy affects internal relationships of the company: while shareholders want to realize profits by paying dividends, executives want to keep profits for the company. *Thirdly*, small shareholders will tend to want to get their profits back for safety, while large shareholders will want to keep profits for reinvestment because they have greater control and understand know the company's risks better. *Fourthly*, workers often want to use most of the after-tax profits to carry out social welfare activities for themselves, or want to be paid really well.

#### **1.4. Experience in corporate governance planning of companies in some countries around the world and lessons learned for Transportation Construction companies in Vietnam**

- For an emerging economy like Vietnam, there is a tendency for companies to jointly pursue a high and stable dividend rate, payment form mainly cash with a regular frequency for shareholders, so companies need to understand that trend and when companies have not built a strong enough reputation, for their shares to attract investors. companies should choose to follow the majority, prioritize dividends for shareholders, and avoid cutting dividends.

- When the economy is in crisis or has strong fluctuations, companies will be divided into groups with different dividend payment decisions. Companies with strong, stable and cumulative financial positions will continue to maintain their dividend commitment orientations, but weaker companies may not acquire.

- When companies start a new stage of development after a crisis or recession, there will be two main directions: in the short term, they will spend all their profits to pay dividends, attract investment, and build a foothold and the long-term orientation is to devote all profits to the development of the company. Companies need to clearly define their short-term and long-term development strategies to come up with reasonable strategies.

- Companies in the transport construction industry in different countries have significantly different responses in formulating dividend policy. Companies that have

a habit of using cash in the economy will often pay cash dividends and need a lot of time to convert to stock dividends because shareholders' confidence in cash dividends is still strong.

## **CHAPTER 2: REALITY OF DIVIDEND POLICY OF LISTED**

### **TRANSPORTATION CONSTRUCTION COMPANIES IN VIETNAM**

#### **2.1 Overview of the road construction industry and listed transportation construction companies in Vietnam**

##### ***2.1.1. The process of formation and development of transportation construction industry in Vietnam***

###### *2.1.1.1 Characteristics of transportation construction products:*

*Firstly*, the cost of survey and design is expensive. *Secondly*, the product value is great. *Thirdly*, many unfinished products. *Fourthly*, the need for regular renovation is large. *Fifthly*, the cost of raw materials increases over time

###### *2.1.1.2 Characteristics of the production process, transportation construction:*

*Firstly*, increasing transportation costs due to location change. *Secondly*, increased liquidity risk due to long time horizon. *Thirdly*, competing on prices when bidding carries a risk of loss. *Fourth*, depends on the state's policy mechanism. *Fifth*, earthquake, natural disasters,..

###### *2.1.1.3 Influence of industry characteristics on dividend policy of companies in the industry*

+ Influence on payment form: Amount of cash in reserve in the fund usually not high. This is one reason why it can be more difficult to cash out dividends for companies than in other industries.

+ Affects the payment process: The erratic nature of products and construction makes the flow of revenue, profit and cash become erratic, greatly affecting the dividend payment schedule of the companies in the sample. research and carry the risk of breaking commitments.

+ Effect on payment frequency: profit flow is quite erratic because it depends on the size, construction progress as well as payment progress of different works, the time of a product takes longer, causing the frequency of payments to tend to be erratic.

+ Affects dividend payment model: The industry's need to retain profits for investment and development is higher than many other sectors in the economy because the need to invest in machinery and equipment is very large, the collection time is very high, long capital return, accompanied by liquidity risks due to long construction period, delayed payment by contractors, etc. Therefore, a prudent business will want to reserve a higher level of retained earnings, the lower the payout ratio, the lower the dividend payout.

### ***2.1.2 Overview of financial situation at listed construction companies***

Since 2016, the public debt crisis has become more and more serious, the government has tightened public investment in all fields. Besides, the road sector has a policy of socialization, ordering, competition, and bidding every year, making it more and more difficult to win projects, and the new bidding law (2014) also has strict regulations. In 2017, after companies made positive progress due to self-structuring, newly received projects began to reveal many disadvantages such as payment risks, difficult acceptance, etc. That makes it difficult for companies to grow their assets in 2018. The period 2019-2020 is an extremely difficult period due to the impact of the Covid pandemic on the whole economy. According to the survey results, it is also shown that financial experts consider the period 2016 - 2020 to be the recession period of the whole industry.

## **2.2 Current status of dividend policy of listed construction companies in Vietnam**

### ***2.2.1 General overview of dividend policy***

#### ***2.2.1.1 Overview of dividend policy through qualitative criteria***

+ Compliance with legal regulations on dividend policy: None of the companies in the sample used equity surplus or owners contributed capital to make dividend payments. Some companies use retained earnings or distributed profits of the previous year. Vietnamese law does not regulate the content related to restrictions from creditors and third parties in paying dividends

+ Dividend policy's fit with the business strategy of listed companies: the company has to change its dividend policy because forecasts and plans are different from the actual situation

+ Dividend policy's relevance with the financial position of listed companies: the companies in the sample base their decisions very heavily on the current financial situation to change their decisions

+ Dividend policy allows listed companies to grasp business opportunity or hedging: in difficult period, companies have almost no new investment projects.

#### *2.2.1.2 Overview of dividend policy through quantitative indicators*

+ Dividend per Share (DPS): The difference in 5-year average dividend of large size and small size companies is about 300 vnd / share / 5 years while the average difference when broken down by EPS is about 800 VND / share / 5 years. It shows that the influence of the company's EPS on the dividend payment decision is more obvious than the influence of the firm's size. Many large companies, with their high expectations and advantages, do not maintain a good dividend level as well as small companies. Companies with large EPS focus on paying around 1000 VND/share.

+ Dividend Payout Ratio: The number of companies that stopped paying dividends continuously increased over the past 5 years, the Ratio of 0% gradually increased, causing the average coefficient to decrease. In the companies that continued to pay dividends, most of the companies had to use over 71%-100% of the Net Profit After Tax for dividend payments. All groups, whether high or low EPS, large or small sizes, have the phenomenon of using more than 100% of profit after tax. However, companies with small size and low EPS must use dividends above 100% more than large size and high EPS companies

+ Dividend Yield: Dividend yield reflects the return on price of the shares that investors hold. The trend of the remaining small size and low EPS firms in the sample is to decrease steadily over the years. The only group that has a fairly stable and relatively high dividend yield is the group of companies with large EPS with an average yield of 6-7%. The group with large size has a rather erratic dividend yield, especially in 2017 and 2019 because these are 2 years when 3/6 companies in the group stopped paying dividends.

+ Dividend Rate: Dividend rate and Dividend per Share usually have a relationship of 1:10,000, so the up and down trends of Dividend Per Share and Dividend Ratio are the same. .

### ***2.2.2 Current status of dividend payment***

Most of the companies in the sample pay dividends in cash, and the companies that pay dividends in stock are mostly companies with good business performance and still keep paying cash dividends at the same time. cash and stock dividends.

### ***2.2.3 Current status of dividend payment frequency***

The maintenance of high frequency (2 times/year) occurs more in the large size and High EPS groups and the effect of EPS is more obvious. The dividend payment with the frequency of once a year is still in favor of companies with High EPS and Large Size, when production and business is becoming more and more difficult for the industry, maintaining once a year is only focused on weak in companies with High EPS and Large Size.

### ***2.2.4 Current status of dividend payment process.***

Many of the companies in the sample did not fulfill the requirements. According to the survey, up to 82.35% of companies have ever failed to pay dividends on time, better dividend timing compliance for large size and high EPS companies.

### ***2.2.5 Current status of dividend payment model***

Dividend payment model of the companies in the sample is divided into 3 groups: Stable dividend payment model, Residual dividend payment model and Group without dividend payment model. No company belongs to the group of stable Dividend Payout Ratio and there is no company in the group of stable low dividend and bonus. Most companies try to maintain a stable dividend model, especially the small size group, and divided by EPS, the proportions of the two groups are quite equal. The companies that use the residual policy are mostly also small size and low EPS groups. Firms without a clear dividend policy account for a small proportion of the sample and are fairly evenly distributed across groups.

## **2.3 Analysis of factors affecting dividend policy and the impact of dividend policy on listed Transportation Construction companies**

### ***2.3.1 Factors affecting CT policy of listed construction companies***

#### ***2.3.1.1 Factors Objectively affects dividend policy***

+ Tax policy: Dividend tax does not change, so it does not have much impact on the planning of dividend policy. Reduced corporate income tax increases the ability to pay dividends

+ Inflation, interest rates and access to loans: Interest rates are stable and gradually decreasing, but capital support channels are not easy to access.

+ Law on investor protection: Vietnam is at a low level in investor protection, and easy policy adjustments can also make companies more arbitrary.

#### ***2.3.1.2 Subjective factors affecting dividend policy***

##### ***a) Survey on the actual situation of factors affecting dividend policy***

The total number of questionnaires sent was 62 and received 51 valid responses (ratio 82.26). Research using SPSS software to evaluate and the results Cronbach alpha coefficient of the dataset is 0.75, showing that the survey results are reliable. Based on the ranking results, the group of three factors that have the biggest influence on dividend policy are: **(1) Profit** (In which earnings per share EPS is ranked the highest), **(2) Market expectations** (In which the PER is ranked the highest), **(3) The position of the enterprise** (Assessment by size is ranked the highest)

##### ***b) Testing the econometric model***

***Dependent Variables:*** DPS (Dividend per Share)

***Independent Variable:*** LnSize ( Natural Logarit of total asset), EPS (Earning per Share, ProMar (Profit Margin = Earning per Sales), PER (Price Earning Ratio), ROIC (Return on Investment Capital), CurR (Current Rate = Current Debt/Current Asset)

##### ***Regression model:***

$$\text{DPS} = a + b_1 \text{LnSize} + b_2 \text{EPS} + b_3 \text{ProMar} + b_4 \text{PER} + b_5 \text{ROIC} + b_6 \text{CurR} + e_i$$

REM model estimation results are as follows:

$$\text{DPS} = -321.9665 + 0.0819 x \text{EPS} + -0.0608 \text{P/E} + 15.39 \text{LnSize}$$

Based on the estimation results according to the REM model, we see:

(1) The selected model has a multiple coefficient of determination of 0.5221, which means the model explains. obtained 52.21% of the variation in DPS caused by the company's EPS, P/E and LnSize. (2) DPS has a negative effect on PER, which means that when market expectations decrease, dividends increase and vice versa. (3) DPS has a positive effect on EPS and LnSize means that when the size and profitability per share increase, the enterprise tends to pay more dividends and vice versa.

### *2.3.1.3 Conclusion*

+ There is a negative relationship between DPS and PER, when PER decreases by 1 unit, DPS increases by 0.06 units. Compared with the full-sample PER average of more than 40 and the full-sample average DPS of more than 700 VND, it can be seen that this effect is not really significant.

+ When the natural logarithm (Ln) of asset size increases by 1 unit, DPS increases by 15.39 VND, equivalent to if asset size increases by about 5 billion VND, DPS increases by 15.30 VND. This can be considered as a really significant impact because the size of assets in the sample is about 1600 billion on average and an increase of about 300 billion in 5 years.

+ When EPS increases by 1 unit, the DPS increases by about 0.082 units, which means that the increase in DPS is nearly 10% of the increase in EPS, which shows that EPS also has a strong impact on DPS, but the impact level is considered. on the whole sample size is not too large.

+ Investment opportunity, profit margin, and current solvency have no significant influence on dividend policy according to the sample test. However, according to expert surveys, companies are interested in these contents.

### **2.3.2 Dividend policy affects listed transportation construction companies**

- Companies that do not have a clear dividend payment model are mostly large-sized and profitable companies. The most volatile stocks, however, the remaining financial indicators are not affected much by the dividend policy, the solvency is also good, the sustainable growth rate is still very high although not retained. more profit



for investment, the cost of capital increased, but the increase was not significant compared to the total asset size. This group is also the group that has recorded more disagreements from small shareholders about the implementation of dividend policy in the company than the other groups.

- The group of companies using stable dividend policy clearly shows the stability in stock price and other financial indicators compared to the other two groups.

- The group of companies that use the residual policy but mainly stop paying dividends due to the possibility of not allowing it (mostly companies with low EPS and small size) show instability in all financial indicators, compared to the other two groups, and trying to pay dividends in certain years does not really help companies build confidence in investors.

## **2.4 General assessment of the current situation of dividend policy of listed Transportation Construction companies in Vietnam**

### **2.4.1 Achievements**

+ *Firstly:* Legal regulations on payment sources are strictly implemented: Regulations The source of payment must be profit after tax, which is strictly implemented by all companies, companies only use resources from after-tax profits and accumulated profits from previous years, there is no phenomenon of recession. Weakness in equity due to the use of equity to pay dividends.

+ *Secondly:* The form of dividend payment of some companies has been flexible: Some companies have shown their flexibility when combining cash dividends and stock dividends

+ *Thirdly:* The payment frequency of some companies has been maintained steadily over the years: some listed construction companies have tried to pay dividends on a regular basis with the frequency of once a year.

+ *Fourthly:* Some companies adhere very well to the payment process: A small number of companies in the sample, although also facing many unusual changes in their production and business situation, the proposed plans do not achieved but also very well maintained its dividend commitments.

+ *Fifthly*: Some companies in the sample have adjusted the dividend payment model to be quite suitable with the actual situation: Some companies in the sample such as LGC have switched from a stable dividend (at the time of Positive business model, good solvency, many contracts from previous years) immediately converted to residual dividends (at a time when the company has many investment opportunities and is heavily indebted), need a lot of capital for the next period and maintain that residual policy during the difficult period (2016-2019)

#### **2.4.2. Limitations**

+ *Firstly*: The source of formation to pay dividends has not been given serious attention: Among the observed companies, only LCS is the company that has set aside a fund "Reserve for supplementing charter capital", the fund is deducted 5% in 2015. Regarding the distribution of profit after tax, although the law does not prohibit the payment of dividends with retained earnings of the previous year, the continuous use of profits of the previous year to pay next year's dividend will not be realizable in the long run. In addition, some companies also misused funds extracted from after-tax profits.

+ *Secondly*: The common form of dividend payment is still cash: Companies still mostly pay cash dividends, the number of observations using stock dividends is very little, showing that the flexibility to use Using the form of dividends only occurs in a small group.

+ *Thirdly*: The frequency of payments is mostly erratic: The companies in the sample have a case of paying this year, stopping next year and continuing to pay dividends a few years later or are paying dividends. i.e. twice a year, then suddenly reduce the frequency to once a year and then stop paying.

+ *Fourthly*: The payment process and information disclosure in many companies are inaccurate

+ *Fifthly*: The stable dividend payment model pushes dividend paying companies to increase the dividend: Most companies that do pay dividends spend most of their profits and the trend is increasing. Meanwhile, the Road and Bridge construction industry is an industry that needs a large amount of short-term capital to finance materials, site clearance, ...

+ *Sixthly*: Most companies do not build short-term and long-term dividend payment models: Only one company, LCS, has made a plan to pay dividends for the next 5 years in 2015 and 2016. HFB also develops a plan for the next 3 years in 2015. The rest of the companies only give dividend plan for next year, no long-term plans.

### **2.4.3. Causes of limitations**

#### *2.4.3.1 Objective reasons:*

+ *Firstly*: The economy fluctuates in a negative direction for the industry

+ *Secondly*: The system of legal documents is incomplete: Current legal regulations do not interfere deeply with the payment of dividends of enterprises, but are assigned to the General Meeting of Shareholders in a joint-stock company to decide.

+ *Thirdly*: Lack of professional stock investment funds: If companies successfully convince securities funds about the company's long-term development strategy and investors have confidence in the professionalism of the funds, companies will not be under great pressure to use high dividends to attract investment.

#### *2.4.3.2 Subjective reasons:*

+ *Firstly*: The forecasting and policy-making capacity is not high: The formation of a team of highly qualified financial directors with good analytical ability takes time. Most of the management staff comes from old human resources, especially from a state-owned company.

+ *Secondly*: The company lacks consultation from many sides: Many companies do not develop a long-term dividend policy or consult with experts and stakeholders.

+ *Thirdly*: Some important factors have not been included in the analysis when deciding to pay dividends: According to survey results and econometric model results, there are only 3 factors that have a significant influence on the decision to pay dividends: EPS, PER and size, other factors have not received due attention and according to the survey, these factors also have almost no relationship with the dividend policy of the companies. company.

+ *Fourthly*: Companies actively abuse asymmetric information to do the marketing: Because the company understands the situation of asymmetric

information in the market, they take advantage of the cash dividend policy like signaling form to increase competitive advantage and avoid loss of reputation compared to other companies.

+ *Fifthly*: Companies do not know how to orient investors: very few companies have a specific promotion strategy about the company's development to investors.

+ *Sixthly*: Companies are not interested in building short-term and long-term payment models: In fact, the study of the annual reports of most companies does not show any content related to the payment.

## **CHAPTER 3: IMPROVING DIVIDEND POLICY OF LISTED**

### **TRANSPORTATION CONSTRUCTION COMPANIES IN VIETNAM**

#### **3.1 Socio-economic context and development orientation of the transportation construction industry in the coming years, up to 2030.**

##### ***3.1.1. National and international socio-economic context***

+ Some challenges:

(1) *Trade protectionism is on the rise*. The best proof of this is the US-China trade war (2) *Science, technology, innovation and the Fourth Industrial Revolution are moving very fast*. Transportation construction is an industry that requires high technology, when facing directly with foreign companies, Vietnamese companies are much weaker (3) *Supply chain is unstable*. Because of the Covid epidemic, the supply chain of raw materials and workers was interrupted.

+ Some opportunities:

(1) *Many international free trade agreements bring more cooperation opportunities*, barriers due to trade protection narrow the market, but Vietnam has also signed free trade agreements for market expansion. (2) *Transfer of advanced machinery and science and technology from abroad*. In terms of science and technology, the government welcomes and encourages the participation and cooperation of foreign contractors involved in the construction of transportation works such as the elevated railway, the inter-provincial highway, ... (3) *The private sector is encouraged to participate in economic development*. According to the

orientation of fast and sustainable development of the country, in the period 2020 - 2030, the Government will focus on reforming and improving the quality of the socialist-oriented market economy institutions. (4) *The demand for infrastructure investment is increasing due to the requirements of the developing economy.* Entering the international market for trade makes the need for investment and construction of transport infrastructure increasingly urgent.

### ***3.1.2 Prospects for investment in transport infrastructure in the coming time***

+ In terms of investment capital:

Statistics from the Ministry of Transport and the Ministry of Construction show that the amount of investment required for upgrading the road transport system from now to 2030 is at US\$50 to US\$60 billion, equivalent to about VND200,000 billion per year. five.

+ In terms of policy and planning:

- Many highways, special economic zones, transport infrastructure connecting airports and ports are considered to be developed due to the strong development of foreign trade and tourism activities.

- Infrastructure demand in Asia: The need for infrastructure investment is huge. It is estimated that by 2030, the amount of investment in the transport infrastructure system will be 220,000 billion USD, equivalent to 15 trillion USD per year.

### ***3.1.3 Development orientation of transportation construction companies listed in Vietnam***

#### ***3.1.3.1 In-depth Development***

In-depth development means that companies expand their influence by forming subsidiaries or affiliates

#### ***3.1.3.2 Market development***

- + Companies need to improve their capacity in construction
- + Improving capital competitiveness
- + Expanding to international markets
- + Good management of construction contracts

### **3.2 Basic points of view that need to be mastered in perfecting the dividend policy of listed Transportation Construction companies in Vietnam**

#### ***3.2.1 Dividend policy must be based on regulations***

The terms and laws related to the company's dividend policy are also regulated and guided in more detail in state documents. Companies need to keep themselves informed and comply with the law.

#### ***3.2.2 Each company needs to have its own flexible and specific policy***

The target of the company's dividend policy needs to be clearly defined, so that the new company plans to use dividend policy flexibly according to the planned goals in each development stage.

#### ***3.2.3 Do not use dividend policy as a tool for generating false signals***

Using dividend policy to send false signals about a company's actual situation will become ineffective. Dividend policy needs to become a tool that contributes to a comprehensive reflection of the company's situation.

#### ***3.2.4 dividend policy should be based on both the current financial position and future growth***

Dividend policy can be considered as part of the future financing policy. The company will face a huge risk of not being able to finance future projects if it focuses too much on the current policy.

#### ***3.2.5 Dividend policy must bring the maximum possible benefits to the owners.***

##### ***Related entities***

+ Direct beneficiaries of the company's dividend policy: Investors benefit from dividends and companies benefit from profits for development.

+ Objects that indirectly benefit from a company's dividend policy: Other companies, job opportunities for employees, the overall development of the industry.

### **3.3. Solutions to improve dividend policy of listed transportation construction companies in Vietnam**

#### ***3.3.1 Enhance the accuracy of forecasting and planning on financial indicators in the future.***

+ Consult multiple sources of information to make judgments.

+ Always take into account risk provisions: In fact, liquidity risk is clear in the group with small size and low EPS, so businesses in this group need to pay special attention to the risk provision plan in the company.

+ Absolutely do not declare dividend payment options that are not feasible

**3.3.2 Consider experts and develop internal analysis' perspective**

Companies need to pay attention to the analysis of dividend policie of the company in the following ways:

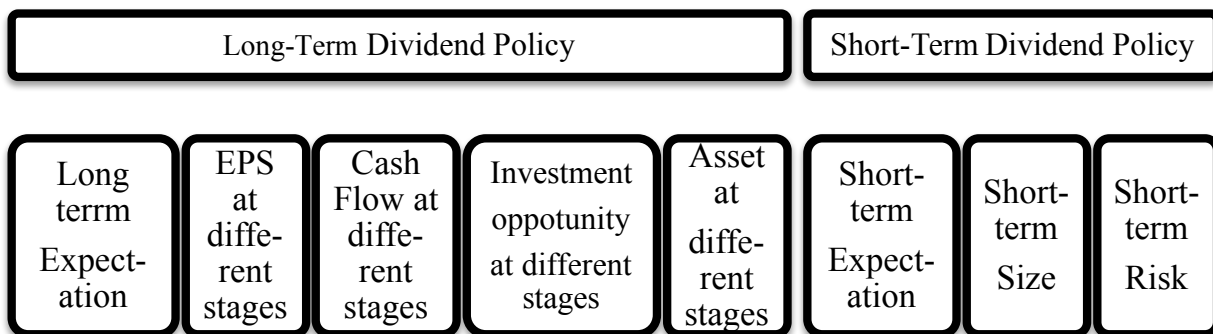
+ Send qualified staff to participate in training courses on analysis, form an internal Financial Analysis committee.

+ Hire experts to make assessment based on the actual situation.

+ Funding for empirical studies.

+ The company can issue advisory shares (Advisory Shares).

**3.3.3 Analyze factors to build dividend policy scientifically factors to build dividend policy**



**3.3.4 Do not use dividend policy as a signaling tool associated with promoting investor orientation**

Companies need to promote company image and persuade as well as attract investors to buy shares of the company by understanding the growth potential and dividend strategy suitable for the period. development stage rather than relying on high dividends to attract investors.

**3.3.5 Choosing a dividend payment model suitable for long-term and short-term strategies**

+ Appropriate policies for long-term development: The policies that can be considered suitable for the company in the long-term are those that are suitable for

long-term development. that the company can maintain stable in the long term: (1) residual (2) 0% payout policy (3) low cash but steady growth (4) low cash plus year-end bonus. Policies (1) and (2) are suitable for companies with large size and good business performance in the sample. Policy (3) and (4) are suitable for companies with small scale and worse business performance in the sample.

+ Dividend payment model suitable in the short term: (1) high dividend per Share (2) 100% dividend payout ratio, (3) high DPS dividend policy or (4) high DPS dividend policy and consistently growing . Because the risks of these policy models are quite high and the situation that can achieve strong returns in a few years is often the case of companies with large size and high EPS in the industry because large projects are often have higher profit margins, these models are suitable for companies in the large size and high eps in the observation group. this does not mean that small size and low eps companies should not implement these policies at all, companies can still be flexible.

### ***3.3.6 Completing the process of planning a scientific curriculum***

Summarizing from the disadvantages that the companies in the sample have when making dividend policy, the author makes the following recommendations on a dividend policy planning process for companies as follows:

*3.3.6.1 Determining the Company need to determine whether short-term or long-term development goals,*

*3.3.6.2 Strategic planning*

+ Consider future investment needs through investment planning: Many Transportation Construction companies have opportunities and also oriented business development in many industries besides the main business of transportation construction.

+ Develop a hedging strategy: When planning a risk treatment strategy, companies must also sort opportunities according to its risk of failure

+ Consult from many sides: After having learned the scenarios of revenue, cost, profit and the possibility of success, the company presented the plan so that everyone could give more opinions and vote for the most reasonable option.



+ Specific solution steps: (1) After determining the undistributed profit of this year, the company plus the retained profit of the previous year to determine the profit the company is allowed to distribute. (2) The Company forecasts investment policy in the following years to set aside profits to the development investment fund to serve the equipment and machinery. (3) The remaining profit after performing the above two steps can be used to pay dividends

### **3.4 Proposing conditions for implementing the solution**

#### ***3.4.1 Recommendation for the Government and related agencies***

##### *Recommendations to the Government*

- + Policy on penalties for late payment of dividends should be more strict
- + Removing the law governing the setting up of funds from earning after tax
- + Adjust laws on protection of rights

##### *Recommendations to the SSC and the Stock Exchange*

+ Require companies to publicly list information about financial situation and dividend policy on the company's website in clear sections

- + Standardize information disclosure
- + Set up a penalty policy with companies that violate regulations

##### *Recommendations on promoting the development of the stock market*

+ Stock exchanges should continue to develop consulting and corporate governance programs.

- + Develop more qualified investment funds.

#### ***3.4.2 Recommendations for investors***

- + Proactively protect interests in case of delayed dividend payment
- + Invest with portfolio of diversify
- + Develop organizations to protect shareholders' rights
- + Develop investment groups to share experiences

## CONCLUSION

On the basis of the collected commentary and survey data, the research topic "*Dividend policy of listed transportation construction companies in Vietnam*" has been analyzed and achieved. Some main results are obtained as follows:

1. The thesis has systematized and clarified the basic issues of dividend policy of enterprises

2. The thesis has analyzed the characteristics of the enterprises of the company. transport construction firms that influence the formulation of dividend policies.

3. Through survey results, investigation and analysis of econometric models, the thesis evaluates the achieved results, limitations and causes of limitations in making dividend policy of the Company. businesses in the sample.

4. The thesis has proposed 05 points of view in completing. This is the basic premise to achieve the research purpose of the thesis.

5. The thesis has achieved the most basic goal of providing a group of 06 solutions to improve dividend policy of enterprises.

6. The thesis has proposed a number of recommendations to implement well and promote the effectiveness of the above solution groups, which are recommendations to the State's management agencies, the Stock Exchanges. securities, investors and the listed transportation construction companies themselves.

During the research process, the PhD student cannot avoid certain shortcomings. Therefore, the PhD student is looking forward to the contributions of teachers, scientists, and colleagues to make the thesis more complete, with higher theoretical and practical value. Sincere thanks to the teachers, scientists, friends and colleagues who helped the PhD student complete this thesis!

## DANH MỤC CÁC CÔNG TRÌNH CỦA NCS. NGUYỄN THỊ THÙY DUNG

TT	Tên báo cáo	Năm công bố	Tên tạp chí/ Tên hội nghị, hội thảo	Vai trò
1	Chính sách cổ tức nhằm thu hút NĐT đối với các công ty XDCTGT trong bối cảnh Việt Nam năm 2019	6/2019	Tạp chí Kinh tế Châu Á – Thái Bình Dương	Tác giả
2	Sustainable growth rate: evidence from pharma and transportation construction enterprises in Vietnam	10/2020	Sustainable economic development and business management in the context of globalisation	Thành viên
3	Dividend policies of transport construction companies listed in stock market in some countries	11/2020	Finance - accounting for promoting sustainable development in private sector	Thành viên
4	Chính sách cổ tức và kỳ vọng thị trường với các công ty xây dựng công trình giao thông niêm yết ở Việt Nam	11/2020	Hội nghị khoa học công nghệ cấp trường ĐHGTVT lần thứ XXII	Tác giả
5	Determinants of Dividend payout decisions – publicly listed Transportation Construction enterprises operating in Vietnam market	9/2021	Sustainable economic development and business management in the context of globalisation (sedbm-4)	Tác giả
6	Impact of Eps on Market prices and market Ratios in Transportation Construction companies in vietnam	9/2021	Sustainable economic development and business management in the context of globalisation (sedbm-4)	Thành viên
7	Signaling, bird in the hand Effects in Transportation construction companies in Vietnam	9/2021	Sustainable economic development and business management in the context of globalisation (sedbm-4)	Thành viên
8	Chính sách cổ tức của các công ty Xây dựng công trình giao thông niêm yết ở Việt Nam	10/2021	Tạp chí Kinh tế Châu Á – Thái Bình Dương	Tác giả
9	Dividend policy model – the case of publicly listed transportation construction companies in viet nam market.	11/2021	Finance - accounting for promoting sustainable development in private sector (FASPS -3)	Tác giả
10	Some factors affecting the stock price of some listed construction companies in viet nam's stock market	11/2021	Finance - accounting for promoting sustainable development in private sector (FASPS -3)	Thành viên

