

SOCIALIST REPUBLIC OF VIETNAM

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**INFORMATION SHEET OF NEW ACADEMIC AND THEORETICAL
CONTRIBUTIONS OF THE THESIS**

**Thesis title: Impact of Diversification on Firm Risk Listed on Vietnam Stock
Exchange**

Major: Banking & Finance Code: 9340201

PhD. Candidate: LE TRUONG NIEM Course: 2nd

Institution: University of Finance - Marketing

Scientific advisor 1: Dr. Bui Huu Phuoc

Scientific advisor 2: Dr. Nguyen Thi Uyen Uyen

The new academic and theoretical contributions

When studying the impact of diversification on firm risk, the thesis investigates both business diversification and geographical diversification which influence on systemic risk, idiosyncratic risk and total corporate risk. The thesis can be considered as the first study in Vietnam to investigate on diversification of firm risk according to this approach. The research results provide more empirical evidence on the impact of diversification on firm risk in Vietnam, thus enriching the experimental evidence on cooperate diversification in the world, and contributing new empirical evidence on the impact of diversification on firm risk in Vietnam.

The two-step process of Heckman (1979) is applied to study the impact of diversification on firm risk. The thesis has demonstrated the existence of self-selection bias in diversifying firm decisions in the Vietnamese market, as shown by the coefficient of the inverse Mill's ratio, which is negative and statistically significant at the 5% level in all research models. This result has not been shown in previous studies on the topic of diversification on firm risk in Vietnam.

Besides applying agency cost theory, internal capital market theory and resource allocation theory, the thesis has also applied the portfolio theory by Markowitz (1952) to study the impact of corporate diversification to corporate risk in Vietnam. This can be considered one of new points of this thesis because the portfolio theory was originally built for investors of the financial market and for diversifying financial asset.

The new findings of the thesis

Diversification is an important and decisive policy that companies need to consider implementing, especially during the maturity stage, when growth opportunities get slowly down or begin to decline. At this stage, it is so crucial for companies to diversify for increasing growth opportunities, seeking profits in other business lines or in other geographic regions. Therefore, the thesis offers some practical and specific contributions to companies as follows:

The thesis reveals that the companies which implement different types of diversification can bear different levels of systematic risks. Particularly, geographic multiple-segment firms may be the most at risk while geographic single-segment firms may be less risk, or domestic multi-segment firms may be even less risk, and finally domestic single-segment firms may be at the least risk. Because the factors of systematic risk are unpredictable, the results of this study would suggest implications for companies.

The thesis demonstrates that there are some different effects of industrial diversification and geographic diversification on the firm's idiosyncratic risk. Industrial diversification increases idiosyncratic risk, but geographic diversification reduces idiosyncratic risk.

The thesis also shows that industrial diversification and geographic diversification have different effects on total risk. The former increases total risk, but the latter does not clearly affect total risk.

The thesis identifies additional risks arising from diversifying the company and recommends some solutions to help the company control risks.

The new contributions of the thesis are crucial not only to help companies identify and control risks when diversifying, but also assist investors in determining the expected rate of return to value the company's stock, or making decisions to invest in company shares.

PhD. Candidate's signature

A handwritten signature in blue ink, appearing to read 'man', written in a cursive style.

Le Truong Niem