

Stock listing, share issues and firm performance: Evidence from Vietnam

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Abstract

While listing effect may be confounded by share issue effect, the time separation between listings and share issues in Vietnam allows tracing the pure effects of these events on firm performance. Empirical results show that listing with share issues shows a negative effect on firm performance. Pure listing (listing without share issues), however, does not have a significant effect on firm performance. This finding suggests that share issues are the main source of negative effects on the performance of IPOs in other countries. Importantly, while share issues after listing have a negative effect on firm performance, share issues before listing do not show significant results. The difference in the participating investors between the two types of share issues is a potential reason. While listed firms tend to time the market or conduct earnings management when issuing new shares to the public, private firms meet obstacles in doing so. These firms often issue new shares to existing shareholders, strategic investors, and their employees, who know well about the firms' financial situation.

Keywords: Stock listing; Share issues; Firm performance; Vietnam