“Dividend payout decisions under economic policy uncertainty: The case of Vietnamese listed companies”

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ARTICLE INFO	An Thi Thuy Duong (2026). Dividend payout decisions under economic policy uncertainty: The case of Vietnamese listed companies. *Investment Management and Financial Innovations*, *23*(2), 500-511. doi:10.21511/imfi.23(2).2026.36
DOI	http://dx.doi.org/10.21511/imfi.23(2).2026.36
RELEASED ON	Monday, 29 June 2026
RECEIVED ON	Wednesday, 25 February 2026
ACCEPTED ON	Monday, 08 June 2026

JOURNAL	"Investment Management and Financial Innovations"
ISSN PRINT	1810-4967
ISSN ONLINE	1812-9358
PUBLISHER	LLC “Consulting Publishing Company “Business Perspectives”
FOUNDER	LLC “Consulting Publishing Company “Business Perspectives”

NUMBER OF REFERENCES	NUMBER OF FIGURES	NUMBER OF TABLES
30	0	7

BUSINESS PERSPECTIVES

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www.businessperspectives.org

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DIVIDEND PAYOUT DECISIONS UNDER ECONOMIC POLICY UNCERTAINTY: THE CASE OF VIETNAMESE LISTED COMPANIES

Abstract

Economic policy uncertainty has become a persistent feature of the business environment, yet evidence on how policy-specific uncertainty affects corporate payouts in transition economies remains limited. This study examines how monetary, fiscal, and trade policy uncertainty affects the dividend payout decisions of non-financial listed firms in Vietnam, and whether ownership structure moderates these effects. The analysis uses panel data for 1,591 firms listed on Vietnam's major stock exchanges during 2016–2024, using government-sourced uncertainty indices and the Correlated Random Effects estimator. The results show that monetary, fiscal, and trade policy uncertainty all exert negative and statistically significant effects on dividend payouts, indicating that firms reduce cash distributions when policy uncertainty increases. The ownership results also reveal clear heterogeneity. State-dominated firms cut dividends more sharply under rising uncertainty, while private-dominated and foreign-dominated firms exhibit smaller payout adjustments and relatively more stable dividend behavior. These patterns suggest that precautionary motives are important in shaping payout policy, but that governance structure conditions the strength of this response. Additional robustness checks using an alternative payout measure and a high-dimensional fixed effects specification yield qualitatively similar results. Overall, the findings indicate that a more stable and predictable policy environment may help reduce defensive corporate payout behavior and improve the consistency of firms' financial decisions in a transition economy.

Keywords economic policy uncertainty, corporate payout, state-dominated, foreign-dominated, corporate governance, transition economy

JEL Classification E61, G35, P31

Type of the article: Research Article

Received on: 25th of February, 2026
Accepted on: 8th of June, 2026
Published on: 29th of June, 2026

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Conflict of interest statement:
Author(s) reported no conflict of interest

INTRODUCTION

The current environment of economic policy uncertainty (EPU) appears unusually persistent, shaped by overlapping shocks rather than isolated events. Geopolitical tensions – most visibly the Russia-Ukraine war – have disrupted energy markets, capital flows, and risk perceptions, reinforcing precautionary behavior across firms and investors (Duong, 2024). At the same time, trade policy uncertainty remains elevated as protectionist measures and trade disputes linger, forcing export-oriented firms to reassess cash-flow stability and exposure to tariff shocks (Lee et al., 2005). These pressures are compounded by post-pandemic policy adjustments, where the withdrawal of fiscal stimulus and tighter monetary conditions create uncertainty about inflation, interest rates, and credit access (Hoang et al., 2025). More recently, uncertainty surrounding climate regulation - such as carbon pricing and disclosure rules – has added a non-traditional but increasingly relevant layer of risk (Ayed et al., 2024). In this setting, dividend policy seems unlikely to follow a uniform pattern. Firms may cut dividends to preserve liquidity under financing frictions, yet some may maintain payouts to signal resilience or discipline when investment opportunities weaken (Attig et al., 2021; Choi & Park, 2024).

http://dx.doi.org/10.21511/imfi.23(2).2026.36

Despite a growing body of work on EPU and corporate payouts, several gaps remain. First, Economic policy uncertainty does not affect firms in a single way. Uncertainty about trade policy, climate regulation, fiscal policy, or monetary conditions can shape dividend decisions through different channels, such as cash-flow pressure, financing difficulty, and weaker confidence about future investment conditions. These pressures are often stronger in emerging economies, where firms tend to face tighter financing constraints, less developed capital markets, and greater governance frictions. For that reason, evidence from large or advanced economies may not fully explain how firms adjust payouts when policy risk rises, and a more context-specific analysis is needed. Vietnam is a small, highly open, transition economy where firms operate under persistent policy intervention, segmented capital markets, and a dominant banking system, with limited access to long-term market financing (Duong et al., 2019). Dividend policy in this context is therefore not just a routine payout decision but a key channel for managing liquidity, political exposure, and investor expectations when policy signals shift. Moreover, Vietnam's corporate sector is characterized by a distinctive mix of state-dominated, private, and foreign-dominated firms, each facing different policy constraints and degrees of government involvement (Hoang et al., 2025). These features are largely absent or play a much weaker role in developed economies typically studied in the literature. As a result, evidence from advanced markets cannot be readily extrapolated to Vietnam. Against this background, an important scientific problem is how EPU affects dividend policy in a transition economy where financing frictions, state influence, and ownership heterogeneity remain significant.

1. LITERATURE REVIEW AND HYPOTHESES

A growing body of research examines how economic policy uncertainty (EPU) affects corporate financial decisions, including investment, cash holdings, financing, and payout policy. In the area of payout decisions, the evidence remains mixed. Some studies show that firms reduce dividends when uncertainty rises, because managers seek to preserve internal liquidity and reduce exposure to financing risk. Other studies suggest that firms may maintain or even increase dividends under uncertainty to mitigate agency conflicts or reassure investors. This mixed evidence indicates that the relationship between EPU and dividend policy is not uniform and may depend on both institutional context and firm characteristics (Attig et al., 2021; Choi & Park, 2024; Li et al., 2024; Vo et al., 2025).

The literature also suggests that the source of policy uncertainty matters. While many studies rely on aggregate EPU indices, uncertainty may arise through different policy domains, such as monetary, fiscal, and trade policy, each of which may affect firms through different channels. Trade-related uncertainty may alter export prospects and cash-flow stability, fiscal uncertainty may affect demand and taxation expectations, and monetary uncertainty may influence interest rates and credit conditions. Yet prior research has not clearly distinguished these policy channels in the analysis of payout policy, especially in emerging and transition economies (Baker et al., 2016; Li et al., 2024; Vo et al., 2025).

Several theoretical mechanisms help explain why prior findings are mixed. Agency theory argues that higher EPU may reduce investment opportunities, increase free cash flow, and strengthen the need to distribute cash to limit managerial misuse of resources (Gulen & Ion, 2016; Jensen, 1986; Easterbrook, 1984). In contrast, the precautionary motive suggests that firms facing heightened uncertainty prefer to retain cash to preserve liquidity and reduce financial risk, particularly when access to external financing is limited (Keynes, 1936; Duong et al., 2020; Bradley et al., 1998). Signaling theory provides further explanation by suggesting that firms may use dividends to convey information about financial strength, although under uncertainty, they may also prefer dividend stability to avoid adverse market reactions if future cuts become necessary (Miller & Rock, 1985; Chay & Suh, 2009). Taken together, these perspectives suggest that the effect of EPU on dividend policy is theoretically ambiguous.

Ownership structure is likely to be one important reason why firms respond differently to uncertainty. For SOEs, dividend decisions are influenced not

only by financial considerations but also by policy objectives and macroeconomic stabilization roles. Under the soft budget constraint view, SOEs may have better access to state support, which weakens precautionary liquidity motives under normal conditions but can make them more responsive to changes in the policy environment (Kornai, 1980; Lei et al., 2015). At the same time, some studies emphasize the possibility of dividend-based tunneling in state-controlled firms (Lam et al., 2012). For POEs, tighter financial constraints and stronger competition for external finance may encourage more cautious payout behavior, although the need to signal financial credibility may partly offset this effect (Phan et al., 2019). For FOEs, foreign shareholders may strengthen monitoring, transparency, and governance discipline, thereby supporting more stable payout behavior under uncertainty (Attig et al., 2021). These differences suggest that ownership structure may shape both the direction and the intensity of dividend adjustment when EPU increases.

Despite these advances, several important gaps remain. First, most existing studies focus on developed economies such as Japan or on large emerging markets such as China, while evidence for Vietnam remains limited (Vo et al., 2025; Li et al., 2024). Second, prior studies mostly rely on aggregate and media-based EPU measures, without clearly distinguishing policy-specific uncertainty (Baker et al., 2016). Third, the moderating role of ownership structure remains empirically inconclusive and often lacks institution-specific explanation, especially in settings where state influence, financing frictions, and mixed ownership coexist (Attig et al., 2021; Li et al., 2024; Gosain et al., 2025).

Overall, prior studies suggest that the impact of policy uncertainty on dividend policy is theoretically ambiguous, empirically mixed, and likely to depend on institutional setting and ownership form. These issues are especially relevant in Vietnam, where policy intervention, financing frictions, and heterogeneous ownership structures coexist. This context creates a useful setting for examining how policy-domain-specific uncertainty is translated into corporate payout behavior.

This study examines how monetary, fiscal, and trade policy uncertainty affect the dividend payout decisions of non-financial listed firms in Vietnam and whether ownership structure moderates these effects. The study tests the following hypotheses:

H1: Economic policy uncertainty reduces dividend payout levels among listed firms in Vietnam.

H2a: The negative impact of economic policy uncertainty on dividend payouts is stronger for SOEs.

H2b: For POEs, the negative impact of economic policy uncertainty on dividend payouts is attenuated.

H2c: FOEs maintain more stable dividend payouts in the face of economic policy uncertainty.

2. METHOD

This section presents the empirical model, variable definitions, data sources, and estimation procedure used in the study.

Building on agency theory, the precautionary motive, and related empirical evidence (e.g., Attig et al., 2021; Ayed et al., 2024), the baseline model used to test the effect of EPU on dividend payouts is specified as follows:

$$DIVS_{it} = \alpha_0 + \alpha_1 EPU_{t-1} + X_{it}\gamma + \overline{X}_i\delta + \varphi_t + \mu_i + \int_{it}, \quad (1)$$

where $DIVS_{it}$ denotes the cash dividend-to-sales ratio of firm i in year t. EPU_{t-1} is the one-year lagged EPU measure, included to mitigate potential endogeneity and to capture delayed corporate responses; it is alternatively proxied by monetary policy uncertainty (MPU), fiscal policy uncertainty (FPU), and trade policy uncertainty (TPU). ϕ_t represents year fixed effects, μ_i captures time-invariant firm effects, and X_{it} is a vector of control variables. $\overline{X}_i = \frac{1}{T}\sum_{t=1}^{T} X_{it}$, is the firm-specific time average of the controls, capturing the Mundlak (correlated random effects) component.

To examine the moderating role of ownership structure OWN_{it}, the model is extended as:

http://dx.doi.org/10.21511/imfi.23(2).2026.36

$$DIVS_{it} = \alpha_0 + \alpha_1 EPU_{t-1} + \alpha_2 \left(EPU_{t-1} \cdot OWN_{it} \right) + \alpha_3 OWN_{it} + X_{it}\gamma + \overline{X_i}\delta + \varphi_t + \mu_i + \int_{it}, \quad (2)$$

where OWN_{it} is alternatively defined as a dummy variable indicating SOEs,POEs, or FOEs.

The dependent variable, dividend payout to sales (DIVS), captures firms' dividend policy. Compared with dividends-to-earnings ratios, this measure is less affected by earnings volatility or accounting manipulation (Chay & Suh, 2009; Attig et al., 2021). Sales are also more stable than profits, allowing a more accurate assessment of payouts relative to operating scale (Lee et al. 2025, 2025; Vo et al., 2025).

The key independent variable is EPU, decomposed into MPU, FPU, and TPU indices developed by Hoang et al. (2025). Unlike the media-based EPU of Baker et al. (2016), these Government-sourced Categorical EPU (GovCEPU) indices are constructed from official texts published by the State Bank of Vietnam, the Ministry of Finance, and the Ministry of Industry and Trade. Each index is computed as the relative frequency of uncertainty-related keywords in monthly publications, thereby capturing official policy signals more directly. Disaggregating EPU by policy domain enables a more nuanced assessment of heterogeneous effects, which is particularly relevant in Vietnam's institutional context.

The control variables are defined as follows. First, firm size (SIZE) captures access to capital markets and the degree of financial constraints; larger firms tend to pay higher dividends (Attig et al., 2021; Choi & Park, 2024; Lee et al., 2025). Second, return on assets (ROA) measures operating performance and is expected to positively affect dividends due to stronger internal financing capacity (Choi & Park, 2024). Third, liquidity (CASH) controls for internal liquidity and financial flexibility. Firms with higher cash holdings are typically less financially constrained and more capable of paying dividends, while also facing lower refinancing risk (Bates et al., 2009). However, abundant cash may also intensify agency conflicts between managers and shareholders, making it necessary to isolate the effect of EPU on dividend decisions (Jensen, 1986; Attig et al., 2021). Fourth, retained earnings relative to equity (RETAIN) proxy for the firm's financial life-cycle stage, as more mature firms tend to distribute higher dividends (Choi & Park, 2024; Chay & Suh, 2009; Sarwar et al., 2020). Fifth, financial leverage (LEV) may reduce dividend payouts due to debt servicing pressure, although in some emerging markets it can also signal financial strength (Duong et al., 2019; Attig et al., 2021; Choi & Park, 2024; Lee et al., 2025). Finally, to control for macroeconomic conditions, GDP growth (GDPG) and inflation (INF) are included, as they affect firms' payout capacity and cash flow allocation decisions (Choi & Park, 2024; Ayed et al., 2024; Caixe, 2025). All balance-sheet variables are computed as the average of beginning- and end-of-year values. Table 1 summarizes the variable definitions and measurements.

The sample includes 1,591 non-financial firms listed on Vietnam's HOSE and HNX over the period

Table 1. Variables and measurements

Variables	Abbreviation	Measurement
Dividend payout to sales	DIVS	Cash dividends paid / Sales, percent
EPU	EPU (MPU, FPU, TPU)	Monetary, fiscal, and trade policy uncertainty indices from Hoang et al. (2025), constructed using text-based data
Firm size	SIZE	Natural logarithm of total assets (billion VND)
Return on assets	ROA	Net income / Total assets, percent
Liquidity	CASH	Cash and short-term investments / Total assets
Retained earnings ratio	RETAIN	Retained earnings / Equity, percent
Financial leverage	LEV	Long-term debt/Total assets, percent
GDP growth	GDPG	Annual GDP growth rate, percent
Inflation	INF	Annual inflation rate, percent
Sales growth	SGR	Annual sales growth rate
State-dominated	SOE	Dummy variable equals 1 if state ownership exceeds 50%, 0 otherwise
Foreign-dominated	FOE	Dummy variable equals 1 if foreign ownership exceeds 50%, 0 otherwise
Private- dominated	POE	Dummy variable equals 1 if private ownership exceeds 50%, 0 otherwise

2016–2024, obtained from the FiinPro-X database. Macroeconomic variables are sourced from the World Development Indicators, while EPU measures are taken from Hoang et al. (2025). The dataset is cleaned, and outliers are mitigated using Winsorization to enhance the reliability of the estimates.

The empirical strategy uses the Correlated Random Effects (CRE) estimator to examine the impact of EPU on corporate dividend policy. First, the CRE approach combines the advantages of both fixed effects (FE) and random effects (RE) models by controlling for time-invariant unobserved firm heterogeneity while retaining time-invariant or weakly time-varying variables with economic relevance that would otherwise be eliminated under FE estimation (Mundlak, 1978; Wooldridge, 2010). Second, the conventional Hausman test, commonly used to choose between FE and RE models, is not appropriate when standard errors are clustered to ensure robustness in the presence of within-firm heteroskedasticity and serial correlation (Petersen, 2009). Within the CRE framework, the Mundlak test provides a consistent basis for assessing the suitability of FE, CRE, or RE specifications. In addition, to mitigate potential endogeneity arising from simultaneity, EPU indices are included with a one-year lag, and year fixed effects are incorporated to absorb common macroeconomic shocks that may simultaneously affect policy uncertainty and firms' dividend decisions. Standard errors are clustered at the firm level to ensure robust inference.

3. RESULTS

Table 2 presents descriptive statistics that indicate substantial variation across the main variables. The dividend-to-sales ratio (DIVS) shows that firms in the sample distribute, on average, 3.746 percent of sales as cash dividends. The three EPU indices – MPU, TPU, and FPU – have mean values of 9.9, 7.8, and 2.8, respectively, reflecting differences in the degree of uncertainty across policy domains. Firm-level financial variables such as ROA, RETAIN, and LEV exhibit relatively large standard deviations, indicating considerable heterogeneity among firms. In contrast, macroeco-

Table 2. Descriptive statistics

Variables	N	Mean	Std. dev.	Min	Max
DIVS	10,165	3.746	8.022	0.000	50.961
MPU	10,352	9.901	5.939	4.021	20.357
TPU	10,352	7.837	1.392	5.426	10.542
FPU	10,352	2.814	2.552	0.194	8.060
LNSIZE	10,352	6.270	1.566	3.002	12.143
ROA	10,337	4.334	8.314	-27.920	30.800
CASH	8,943	0.152	0.155	0.001	0.699
RETAIN	8,866	3.484	16.829	-88.093	65.512
LEV	8,946	9.170	13.600	0.000	64.272
GDPGR	10,352	5.931	2.077	2.554	8.538
INF	10,352	2.998	0.526	1.835	3.540

Table 3. Pairwise correlation

	DIVS	MPU	TPU	FPU	LNSIZE	ROA	CASH	RETAIN	LEV	GDPGR	INF
DIVS	1.000										
MPU	–0.004	1.000									
TPU	–0.002	0.575	1.000								
FPU	–0.014	0.823	0.383	1.000							
LNSIZE	0.069	0.041	0.014	0.043	1.000						
ROA	0.413	–0.040	0.013	–0.037	0.084	1.000					
CASH	0.277	0.036	0.025	0.033	–0.072	0.341	1.000				
RETAIN	–0.023	–0.033	0.005	–0.020	0.086	0.417	0.084	1.000			
LEV	0.035	–0.042	–0.023	–0.043	0.322	–0.129	–0.226	–0.003	1.000		
GDPGR	0.005	0.262	0.699	–0.047	–0.014	0.032	–0.010	0.008	0.011	1.000	
INF	0.013	0.328	0.187	0.053	–0.007	–0.006	–0.007	–0.019	0.014	0.490	1.000

http://dx.doi.org/10.21511/imfi.23(2).2026.36

nomic variables, including GDP growth (GDPG) and inflation (INF), display lower dispersion, suggesting relative macroeconomic stability over the sample period.

Table 3 reports the correlation matrix for the key variables. The EPU components are positively and strongly correlated, particularly MPU and FPU (0.823), indicating substantial co-movement among policy uncertainty measures. DIVS is positively correlated with CASH, ROA, and RETAIN, suggesting that firms' internal financial conditions are closely related to dividend policy. Although no serious multicollinearity concerns are evident, formal tests are conducted and reported in Table 4. The maximum variance inflation factor (VIF) is 1.89, confirming that multicollinearity is not a concern in the empirical analysis.

Table 4. Multicollinearity check

Variables	VIF		
L.MPU	1.22		
L.TPU		1.45	
L.FPU			1.15
LNSIZE	1.15	1.14	1.15
ROA	1.32	1.32	1.32
CASH	1.25	1.24	1.25
RETAIN	1.01	1.01	1.01
LEV	1.24	1.24	1.24
GDPGR	1.75	1.48	1.58
INF	1.67	1.89	1.48

Table 5. Impact of economic policy uncertainty on payout policy

Variables	MPU		TPU		FPU	
	(1)	(2)	(3)	(4)	(5)	(6)
L.MPU	–0.060***	–0.057***				
	(0.015)	(0.015)				
L.TPU			–2.869***	–1.566***		
			(0.695)	(0.413)		
L.FPU					–0.230***	–0.180***
					(0.056)	(0.047)
LNSIZE	0.291	0.291	0.291	0.291	0.291	0.291
	(0.206)	(0.206)	(0.206)	(0.206)	(0.206)	(0.206)
ROA	0.197***	0.197***	0.197***	0.197***	0.197***	0.197***
	(0.024)	(0.024)	(0.024)	(0.024)	(0.024)	–0.024
CASH	7.187***	7.187***	7.187***	7.187***	7.187***	7.187***
	(1.194)	(1.194)	(1.194)	(1.194)	(1.194)	(1.194)
RETAIN	–0.066***	–0.066***	–0.066***	–0.066***	–0.066***	–0.066***
	(0.009)	(0.009)	(0.009)	(0.009)	(0.009)	(0.009)
LEV	–0.032***	–0.032***	–0.032***	–0.032***	–0.032***	–0.032***
	(0.011)	(0.011)	(0.011)	(0.011)	(0.011)	(0.011)
GDPGR		–0.385***		–1.699***		–0.445***
		(0.068)		(0.404)		(0.081)
INF		0.050		–1.508***		–1.286***
		(0.349)		(0.400)		(0.366)
Constant	5.022*	–11.734	153.096**	190.593**	3.845	25.186
	(2.854)	(14.478)	(63.423)	(79.536)	(2.400)	(18.569)
No.Obs	10,127	10,127	10,127	10,127	10,127	10,127
Mundlak test	79.846***	79.846***	79.846***	79.846***	79.846***	79.846***

Note: This table reports baseline regressions for 1,591 firms listed in Vietnam during 2016–2024. The dependent variable is DIVS (cash dividends/total sales Columns (1), (3), and (5) include firm-level controls only, while columns (2), (4), and (6) additionally include GDP growth (GDPGR) and inflation (INF). Variable definitions appear in Table 1. All specifications include firm fixed effects as well as year and industry fixed effects. Standard errors (in parentheses) are clustered at the firm level. ***, **, and * denote significance at the 1 %, 5 %, and 10 % levels, respectively.

Table 6. The moderating role of ownership on the impact of economic policy uncertainty on payout policy

Variables	MPU	MPU	MPU	TPU	TPU	TPU	FPU	FPU	FPU
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
L.MPU	−0.069***	−0.098***	−0.137***						
	(0.019)	(0.019)	(0.023)						
L.TPU				−1.413***	−1.480***	−1.529***			
				(0.292)	(0.290)	(0.290)			
L.FPU							−0.239***	−0.288***	−0.347***
							(0.056)	(0.056)	(0.064)
SOE=1	1.212***			1.653***			0.731***		
	(0.329)			(0.592)			(0.279)		
FOE=1		−0.945			−5.044**			0.251	
		(2.035)			(2.121)			(1.903)	
POE=1			−0.677*			−0.741			−0.289
			(0.346)			(0.572)			(0.318)
L.MPU* SOE	−0.080***								
	(0.019)								
L.MPU*FOE		0.196*							
		(0.103)							
L.MPU*POE			0.066***						
			(0.018)						
L.TPU* SOE				−0.162**					
				(0.068)					
L.TPU*FOE					0.764**				
					(0.334)				
L.TPU*POE						0.093			
						(0.065)			
L.FPU* SOE							−0.130***		
							(0.045)		
L.FPU*FOE								0.255	
								(0.176)	
L.FPU*POE									0.103**
									(0.043)
LNSIZE	0.285	0.337	0.29	0.333	0.34	0.332	0.293	0.337	0.299
	(0.215)	(0.218)	(0.216)	(0.218)	(0.218)	(0.218)	(0.215)	(0.218)	(0.216)
ROA	0.180***	0.180***	0.180***	0.180***	0.180***	0.180***	0.180***	0.180***	0.180***
	(0.024)	(0.024)	(0.024)	(0.024)	(0.024)	(0.024)	(0.024)	(0.024)	(0.024)
CASH	6.641***	6.445***	6.645***	6.512***	6.470***	6.501***	6.594***	6.457***	6.606***
	(1.337)	(1.340)	(1.339)	(1.337)	(1.341)	(1.339)	(1.339)	(1.341)	(1.342)
RETAIN	−0.061***	−0.062***	−0.061***	−0.061***	−0.062***	−0.061***	−0.061***	−0.062***	−0.061***
	(0.009)	(0.009)	(0.009)	(0.009)	(0.009)	(0.009)	(0.009)	(0.009)	(0.009)
LEV	−0.034***	−0.032***	−0.033***	−0.032***	−0.032***	−0.032***	−0.033***	−0.032***	−0.032***
	(0.012)	(0.012)	(0.012)	(0.012)	(0.012)	(0.012)	(0.012)	(0.012)	(0.012)
GDPGR	−0.531***	−0.543***	−0.532***	−1.597***	−1.606***	−1.602***	−0.604***	−0.614***	−0.604***
	(0.084)	(0.085)	(0.084)	(0.287)	(0.287)	(0.288)	(0.096)	(0.097)	(0.097)
INF	0.732**	0.779**	0.736**	−1.485***	−1.472***	−1.472***	−1.460***	−1.458***	−1.449***
	(0.369)	(0.369)	(0.372)	(0.380)	(0.379)	(0.379)	(0.378)	(0.377)	(0.376)
Constant	−12.494	−10.156	−11.736	235.200***	228.390***	220.916***	62.114***	62.208***	58.842***
	(12.564)	(12.761)	(12.374)	(56.096)	(54.484)	(54.794)	(19.026)	(18.969)	(18.743)
No.Obs	8,764	8,764	8,764	8,764	8,764	8,764	8,764	8,764	8,764

Note: This table reports the estimated moderating role of ownership on the impact of economic policy uncertainty on payout policy. The dependent variable is DIVS (cash dividends/total sales). Each EPU index interacts with each ownership type. Variable definitions appear in Table 1. All specifications include firm fixed effects as well as year and industry fixed effects. Standard errors (in parentheses) are clustered at the firm level. ***, **, and * denote significance at the 1 %, 5 %, and 10 % levels, respectively.

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Table 5 reports the baseline estimates of Equation (1). Each EPU index is estimated in two specifications: columns (1), (3), and (5) include firm-level controls only, whereas columns (2), (4), and (6) additionally include GDP growth and inflation. The coefficients are interpreted as the marginal effects of lagged policy uncertainty on dividend payouts, conditional on firm characteristics and common year and industry effects.

The results show that MPU, TPU, and FPU all exert negative and statistically significant effects on DIVS. Specifically, the coefficients on L.MPU (–0.060), L.TPU (–2.869), and L.FPU (–0.230) are negative and significant at the 1% level, indicating that firms tend to reduce dividend payouts as policy uncertainty increases. Control variables behave as expected. ROA and CASH are positively and significantly associated with dividends, indicating that more profitable and liquid firms pay higher dividends. By contrast, RETAIN and LEV enter with negative and significant coefficients, suggesting lower payouts among firms that prioritize internal investment or face higher debt burdens. Firm size is insignificant, implying no clear size effect in the sample. GDP growth and inflation are negative and significant in some specifications, indicating greater earnings retention during periods of rapid growth or high inflation. Methodologically, the Mundlak test supports the CRE specification over conventional random effects, allowing effective control for unobserved heterogeneity while retaining weakly time-varying variables. Overall, the baseline evidence supports H1.

Table 6 reports the ownership-moderation estimates from Equation (2). The SOE dummy is positive, while the interactions between SOE and all three EPU measures are negative and significant,

Table 7. Robustness checks

Variables	Dividend per earnings			High-dimensional fixed effects		
	(1)	(2)	(3)	(4)	(5)	(6)
L.MPU	–0.017***			–0.057***		
	(0.005)			(0.015)		
L.TPU		–0.467***			–1.566***	
		(0.125)			(0.413)	
L.FPU			–0.054***			–0.180***
			(0.014)			(0.047)
LNSIZE	0.308	0.308	0.308	0.291	0.291	0.291
	(0.250)	(0.250)	(0.250)	(0.206)	(0.206)	(0.206)
ROA	–0.001	–0.001	–0.001	0.197***	0.197***	0.197***
	(0.005)	(0.005)	(0.005)	(0.024)	(0.024)	(0.024)
CASH	–0.552	–0.552	–0.552	7.187***	7.187***	7.187***
	(1.035)	(1.035)	(1.035)	(1.193)	(1.193)	(1.193)
RETAIN	–0.007***	–0.007***	–0.007***	–0.066***	–0.066***	–0.066***
	(0.002)	(0.002)	(0.002)	(0.009)	(0.009)	(0.009)
LEV	–0.003	–0.003	–0.003	–0.032***	–0.032***	–0.032***
	(0.005)	(0.005)	(0.005)	(0.011)	(0.011)	(0.011)
GDPGR	–0.127***	–0.519***	–0.145***	–0.385***	–1.699***	–0.445***
	(0.048)	(0.133)	(0.050)	(0.068)	(0.404)	(0.081)
INF	–0.065	–0.530***	–0.463***	0.05	–1.508***	–1.286***
	(0.141)	(0.132)	(0.126)	(0.349)	(0.400)	(0.366)
Constant	–6.640	0.000	–6.817	3.527**	30.599***	8.467***
	(4.321)	(.)	(5.128)	(1.720)	(7.054)	(1.976)
No.Obs	10,127	10,127	10,127	10,111	10,111	10,111
Year fixed effect	Yes	Yes	Yes	Yes	Yes	Yes
Industry fixed effect	Yes	Yes	Yes	Yes	Yes	Yes

Note: This table reports the robustness check. Columns (1)–(3) present the estimation results of Equation (1) using dividend per earnings as the dependent variable instead of dividend per sales. Columns (4)–(6) report the results of Equation (1) estimated using a high-dimensional fixed effects regression model. Variable definitions appear in Table 1. Standard errors (in parentheses) are clustered at the firm level. ***, **, and * denote significance at the 1 %, 5 %, and 10 % levels, respectively.

showing that state-dominated firms cut dividends more sharply as uncertainty rises. The POE dummy is negative, but the interactions with MPU and FPU are positive and significant, indicating that the negative baseline effect is attenuated for private-dominated firms. For foreign-dominated firms, the FOE dummy is negative, and the interactions with MPU and TPU are positive and significant, suggesting more stable payout adjustment under monetary and trade policy uncertainty. Overall, the evidence supports Hypotheses H2a, H2b, and H2c.

To assess the robustness of the baseline findings, two complementary robustness checks are conducted. First, the model is re-estimated using a high-dimensional fixed effects framework, which absorbs firm-specific effects while simultaneously controlling for industry and year fixed effects. This approach offers a more stringent control for unobserved heterogeneity that may vary across firms but remain constant over time, and it mitigates potential bias arising from omitted firm-level characteristics that could be correlated with both policy uncertainty and dividend decisions. By allowing for multi-way fixed effects and clustering standard errors at the firm level, this specification relaxes distributional assumptions embedded in the CRE framework and provides a demanding test of the stability of the estimated EPU coefficients. Second, the dependent variable is replaced by an alternative payout measure, namely the dividend-to-earnings ratio, to address concerns that results may be driven by the specific choice of dividend normalization. This alternative captures payout behavior relative to profitability rather than operating scale.

Table 7 reports the robustness checks. Columns (1)–(3) present the estimation results of Equation (1) using dividend per earnings as the dependent variable instead of dividend per sales. Columns (4)–(6) report the results of Equation (1) estimated using a high-dimensional fixed effects regression model. Across both robustness exercises, the estimated effects of monetary, fiscal, and trade policy uncertainty remain negative and statistically significant, confirming that the main conclusions are not sensitive to the estimation method or the definition of dividend policy.

4. DISCUSSION

The baseline results indicate that economic policy uncertainty reduces dividend payouts among listed firms in Vietnam. This pattern is consistent with the *precautionary motive*, under which firms retain cash to cope with greater uncertainty over future cash flows, financing conditions, and policy actions. When the policy environment becomes less predictable, internal funds become more valuable, and dividend reductions appear to be part of a broader effort to preserve liquidity and financial flexibility.

This interpretation is particularly plausible in the Vietnamese context. Vietnam remains an emerging and transition economy with segmented capital markets, strong reliance on bank financing, and more limited access to long-term external funds than developed markets. Under such conditions, firms are likely to treat retained earnings as an important buffer against financing frictions. Dividend cuts, therefore, seem to reflect not only a payout adjustment but also a liquidity management response to rising policy risk.

This result is broadly consistent with Choi and Park (2024) and Lee et al. (2025), who also find that policy uncertainty is associated with more conservative payout behavior. At the same time, it differs from studies such as Attig et al. (2021), which report a positive relationship between EPU and dividends. That difference likely reflects institutional context. In developed markets, where firms generally operate under stronger investor protection and deeper capital markets, dividends may continue to serve as a governance mechanism under uncertainty. In Vietnam, by contrast, the precautionary value of internal liquidity appears to dominate

The ownership results suggest that the transmission of uncertainty into payout decisions depends strongly on the institutional setting. In other words, policy uncertainty does not affect all firms in the same way. Its effect is filtered through ownership-specific incentives, governance arrangements, and access to financing.

For state-dominated firms, the results show higher average payouts under normal conditions but sharper dividend reductions when uncertainty

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rises. This pattern points to the dual role of state ownership. In relatively stable periods, these firms may maintain higher payouts due to stable earnings, closer state oversight, or expectations to remit cash to controlling state owners. Under uncertainty, however, the logic seems to change. Resource preservation becomes more important, likely because these firms are more closely tied to policy priorities, macroeconomic stabilization, and broader public obligations.

This interpretation is close to Lei et al. (2015), who argue that state-controlled firms respond more conservatively to uncertainty because they are shaped by policy guidance and political considerations. It is less supportive of the tunneling view emphasized by Lam et al. (2012) and Faccio et al. (2001), under which state owners may push for higher payouts to meet fiscal needs. In the Vietnamese setting, the evidence suggests that once policy risk becomes pronounced, stability and resource retention matter more than immediate cash extraction.

For private-dominated firms, the lower average payout level is consistent with tighter financing constraints and stronger precautionary behavior. However, the weaker negative response to policy uncertainty suggests that dividend policy in this group reflects more than simple cash conservation. One possible explanation is that these firms already distribute relatively little, leaving limited room for additional cuts. Another is that dividend continuity becomes more valuable when uncertainty rises.

Unlike state-controlled firms, private firms do not benefit from implicit public backing and are more exposed to investor skepticism and tighter credit conditions. In that setting, maintaining dividends may serve as a signal of cash-flow strength, financial discipline, and managerial confidence. The results therefore suggest that, for private-dominated firms, the signaling motive partly offsets the precautionary motive, leading to a more muted payout adjustment under uncertainty.

A similar but not identical pattern appears for foreign-dominated firms. These firms distribute less on average in normal times, which is consistent with earnings retention for reinvestment. Yet they are less likely to reduce dividends when monetary and trade policy uncertainty increases. This suggests that foreign ownership contributes to payout stability under specific forms of policy risk.

A plausible explanation lies in the monitoring role of foreign shareholders. Foreign investors may impose stronger governance discipline, greater transparency, and more consistent payout expectations, particularly in markets where legal protection and disclosure quality remain uneven. In this setting, dividends may function not only as a cash distribution mechanism but also as a commitment device that reassures outside investors when the policy environment becomes less predictable. This interpretation is in line with Attig et al. (2021) and Vo et al. (2025), who highlight the disciplining role of strong external owners.

Taken together, the findings suggest that dividend policy under uncertainty is best understood as an ownership-conditioned adjustment process. The average response is a reduction in payouts, reflecting the importance of liquidity preservation. However, the intensity of that response varies systematically across ownership types. State-dominated firms appear more sensitive to policy uncertainty because policy obligations and macroeconomic roles become more salient in unstable periods. Private- and foreign-dominated firms, by contrast, display more stable payout behavior, although for different reasons: private firms appear to balance precaution with signaling needs, while foreign-dominated firms reflect stronger external monitoring and governance discipline.

CONCLUSION

This study examines how monetary, fiscal, and trade policy uncertainty affects the dividend payout decisions of non-financial listed firms in Vietnam and whether ownership structure moderates these effects.

The results also show that ownership structure materially changes the baseline relationship. State-dominated firms reduce dividends more sharply when uncertainty rises, whereas private-dominated and foreign-dominated firms display smaller payout adjustments. These findings indicate that policy risk affects payout decisions through both precautionary behavior and governance-related channels.

Two conclusions follow. First, policy instability can induce firms to retain cash defensively, which may weaken payout stability and alter investor expectations. Second, ownership form matters for how firms absorb policy shocks, so a single interpretation of corporate payout behavior is likely to be misleading in transition economies.

The findings imply that policymakers should improve the predictability and consistency of policy signals, firms should strengthen financial risk management when designing payout policy, and investors should incorporate ownership structure into dividend-risk assessment. Future research may extend the analysis to unlisted firms, alternative payout channels such as share repurchases, or other transition economies where state influence and financing frictions remain important.

AUTHOR CONTRIBUTIONS

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Data curation: An Thi Thuy Duong.
Formal analysis: An Thi Thuy Duong.
Funding acquisition: An Thi Thuy Duong.
Investigation: An Thi Thuy Duong.
Methodology: An Thi Thuy Duong.
Project administration: An Thi Thuy Duong.
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Supervision: An Thi Thuy Duong.
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Writing – review & editing: An Thi Thuy Duong.

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