





# “The role of state ownership in the relationship between monetary policy and financial investment: Evidence from Vietnam”

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# THE ROLE OF STATE OWNERSHIP IN THE RELATIONSHIP BETWEEN MONETARY POLICY AND FINANCIAL INVESTMENT: EVIDENCE FROM VIETNAM

## Abstract

The growing financialization of non-financial firms has raised concerns about resource allocation and the effectiveness of monetary policy, particularly in emerging economies where financial markets remain bank-oriented. This study analyzes the impact of monetary policy on the financial investment behavior of listed non-financial firms in Vietnam, with a specific focus on the moderating role of state ownership. Using an unbalanced panel of 545 firms observed over the period 2007–2024, the generalized method of moments is employed to address endogeneity and dynamic adjustment in firms' investment decisions. Monetary policy is proxied by key interest rate measures, while state ownership is captured using both continuous ownership ratios and a dummy variable for controlling state ownership. The empirical results show that a one percentage point reduction in interest rates increases financial investment by about 0.08–0.10 percentage points. However, this effect diminishes as state ownership rises and becomes insignificant at moderate ownership levels. For firms with controlling state ownership, monetary easing exerts a negative effect on financial investment, indicating a reversal in the transmission mechanism. These findings point to a structural divergence in financial behavior across ownership types and highlight the importance of ownership structure in shaping firms' responses to monetary policy. From a policy perspective, the results underscore the need to consider heterogeneity in ownership when evaluating monetary policy effectiveness and to closely monitor corporate financialization, which may crowd out productive investment.

## Keywords

corporate financialization, interest rates, ownership  
structure, emerging markets, Vietnam

## JEL Classification

E52, G30

## INTRODUCTION

Vietnam's transition toward a market-oriented economy has been accompanied by rapid financial development, while its financial system remains predominantly bank-based. In such a context, monetary policy plays a central role in shaping corporate behavior through changes in interest rates and credit conditions. At the same time, an increasing tendency among non-financial firms to allocate resources to financial assets has emerged, reflecting a broader shift toward corporate financialization.

This trend raises an important economic concern. While expansionary monetary policy is intended to stimulate productive investment, it may instead encourage firms to reallocate resources toward financial assets, potentially weakening the effectiveness of policy transmission. Such behavior can lead to a misallocation of capital, where short-term financial returns are prioritized over long-term productive activities, thereby affecting sustainable economic growth.

The issue becomes more complex in economies where different types of firms coexist under varying institutional arrangements. In particular, firms with state participation often operate under distinct governance structures and objectives, which may influence how they respond to monetary policy signals. As a result, monetary policy transmission may not be uniform across firms, creating heterogeneity in investment behavior and raising questions about the overall effectiveness of policy interventions in such settings.

## 1. LITERATURE REVIEW

This section critically reviews the existing literature on the relationship between monetary policy and corporate investment behavior, with a particular focus on financial investment and the role of ownership structure.

Monetary policy influences corporate investment decisions through several theoretical mechanisms. According to Tobin's Q theory, when interest rates decline, the present value of future cash flows increases, raising firms' market valuation relative to the replacement cost of capital (Tobin, 1969). A Tobin's Q above one incentivizes firms to expand investment, as market signals suggest that new capital yields returns exceeding its cost. Conversely, monetary tightening reduces Tobin's Q and dampens investment intentions.

Beyond the cost of capital, Bernanke et al. (1999) highlight the balance sheet channel, whereby expansionary policy enhances the collateral value of firms' assets, lowers external financing costs, and improves credit access, especially critical for firms facing asymmetric information. In parallel, low-interest environments may induce firms to reallocate resources from safe assets to riskier financial instruments to maintain target returns, a behavior commonly described as the "search for yield" (Borio & Zhu, 2012).

Monetary easing can also interact with internal financing preferences. Under the pecking order theory (Myers & Majluf, 1984), firms prefer internal funds, but low borrowing costs may shift preferences toward external debt, reinforcing investment. Similarly, the trade-off theory suggests that declining interest rates increase the tax advantages of debt, encouraging leverage. However, excessive liquidity may also lead to inefficient capital allocation. The free cash flow hypothesis emphasizes the risk of over-investment in low-return projects

(Jensen, 1986), while tight monetary conditions may lead to under-investment due to financial constraints (Richardson, 2006).

Financialization further complicates this relationship. Orhangazi (2008) demonstrates that in persistently low-rate environments, non-financial firms increasingly allocate resources to short-term financial assets rather than productive investment. This shift prioritizes short-term profits over long-term growth and undermines the productivity-enhancing role of corporate investment.

Empirically, the bulk of research has examined the effects of monetary policy on capital expenditures, particularly in developed markets. Studies such as Cloyne et al. (2020) and Durante et al. (2022) show that financially constrained firms respond more strongly to monetary shocks. Ottonello and Winberry (2020) reveal that low-risk firms adjust investment more aggressively in response to interest rate changes, highlighting the heterogeneity of transmission channels. di Giovanni and Rogers (2024) report that U.S. monetary tightening significantly reduces investment in foreign firms, especially those in trade-exposed sectors. In contrast, Anwar et al. (2023) find that higher policy rates correlate with increased long-term investment in ASEAN-5 economies, suggesting structural or methodological differences. Meanwhile, studies such as Renzhi and Beirne (2023) identify market power as a buffer against contractionary policy effects in Asian firms. Recent literature also explores how monetary policy affects debt maturity structures and access to bond markets (De Santis & Zaghini, 2021; Fabiani et al., 2022; Gnewuch & Zhang, 2025).

Despite these advances, there remains a significant gap in understanding how monetary policy affects financial investment, specifically, distinct from traditional capital expenditure. Only a few studies, notably Zhang and Zheng (2020), directly exam-

ine this relationship. Using firm-level data from China, they show that expansionary monetary policy encourages non-financial firms to increase financial asset holdings, potentially crowding out productive investment. While informative, this evidence is confined to a single institutional setting and does not account for ownership heterogeneity, underscoring the need for further research in different economic and governance contexts.

While the above studies provide important insights into the effects of monetary policy on corporate investment behavior, they largely overlook how firm-specific characteristics may shape these responses. In this context, ownership structure emerges as a critical factor influencing firms' reactions to monetary policy. State ownership plays a multidimensional role in shaping firm behavior and macroeconomic outcomes, especially in emerging and transitional economies. Firms with state ownership – whether partial or controlling – often operate under objectives that extend beyond profit maximization, such as maintaining economic stability, fulfilling public service mandates, or supporting strategic industries (Fonseka et al., 2021; Niu et al., 2023). These roles grant them preferential access to credit and insulation from market-based financial constraints, potentially altering their responsiveness to monetary policy.

From a theoretical perspective, several channels suggest that state ownership may either amplify or dampen the transmission of monetary policy. Under an expansionary stance, lower interest rates reduce capital costs and enhance market valuations (Tobin, 1969), encouraging financial investment. State-owned firms, with strong balance sheets and preferential borrowing conditions (Chen et al., 2019; Huynh, 2024), may exploit such conditions to increase financial investments.

Conversely, the presence of state ownership can weaken monetary policy effectiveness. These firms are less sensitive to interest rate signals due to implicit government guarantees and non-commercial objectives (Jensen & Meckling, 1976). Political priorities may override market logic, and financial decisions – particularly regarding investment in financial assets – may not align with macro-financial conditions, thereby disrupting the traditional balance sheet and interest rate channels.

Empirically, extensive studies document the inefficiencies and political influences within state-owned enterprises (Merlevede & Muylle, 2025; Shleifer, 1998). Other research highlights their stability-oriented investment during crises (Wu & Xu, 2021) or their advantages in accessing long-term capital for innovation (Castelnuovo, 2022; Xu et al., 2025). However, these findings primarily focus on operational efficiency or R&D, rather than on how state ownership interacts with monetary policy in shaping financial investment behavior.

Overall, the existing literature highlights two key gaps. First, there is limited evidence on how monetary policy affects financial investment, as distinct from traditional capital expenditure. Second, the moderating role of state ownership in this relationship remains insufficiently explored, particularly in emerging economies.

Based on these gaps, this study examines the impact of monetary policy on firms' financial investment behavior and evaluates how state ownership moderates this relationship in the context of Vietnam.

## 2. DATA AND METHODOLOGY

This study investigates the impact of monetary policy on the financial investment of listed non-financial firms in Vietnam, with a particular emphasis on the moderating effect of state ownership. To achieve this, the following baseline model assesses the direct effect of monetary policy on financial investment:

$$FIT_{it} = \alpha_0 + \alpha_1 \cdot FIT_{it-1} + \beta_1 \cdot MP_{t-1} + \beta_2 \cdot Control_{it-1} + \beta_3 \cdot Macro_{t-1} + \varepsilon_{it}, \quad (1)$$

Then, the extended model incorporates the interaction term to test whether state ownership moderates the effect of monetary policy:

$$FIT_{it} = \alpha_0 + \alpha_1 \cdot FIT_{it-1} + \beta_1 \cdot MP_{t-1} + \beta_2 \cdot STATE_{it} + \beta_3 \cdot (MP_{t-1} \cdot STATE_{it}) + \beta_4 \cdot Control_{it-1} + \beta_5 \cdot Macro_{t-1} + \varepsilon_{it}, \quad (2)$$

where  $FIT_{it}$  is the financial investment ratio of firm  $i$  in year  $t$ , measured by the ratio of total financial

investments (including short-term and long-term holdings of stocks, bonds, and other financial instruments) to total assets. This measure captures the firm's degree of financialization.  $FIT_{it-1}$  is the lagged dependent variable, capturing investment persistence and justifying the use of a dynamic model (Fu et al., 2024; Tudi et al., 2025; Wang et al., 2024; Zhang et al., 2024). The use of a dynamic panel model is motivated by the high persistence typically observed in firm-level financial investment behavior. Lagged dependent variables capture such persistence, while the model also helps mitigate omitted variable bias.  $MP_{t-1}$  represents the monetary policy stance, proxied by four interest rates: (i) refinancing rate, (ii) rediscount rate, (iii) 1-month interbank rate, and (iv) 3-month interbank rate. These rates reflect both policy-controlled instruments and market-based signals. All are lagged by one period to mitigate reverse causality and to allow for policy transmission delays (Dang & Huynh, 2025).  $STATE_{it}$  captures state ownership, measured either as a continuous variable (percentage of state capital) or a binary variable (equal to one if state ownership exceeds 50%).  $MP_{t-1} \times STATE_{it}$  is the interaction term testing moderation.  $Control_{it-1}$  is a vector of firm-level control variables, and  $Macro_{t-1}$  is a vector of macroeconomic control variables. These control variables include firm size, leverage, liquidity, profitability, and a set of macroeconomic indicators such as GDP growth, stock market performance (VN-Index return), and global economic policy uncertainty (GEP index). These variables are selected based on prior literature to control for firm-specific characteristics and macroeconomic context (Fu et al., 2024; Tudi et al., 2025; Wang et al., 2024; Zhang et al., 2024).

We use the two-step system GMM estimator developed by Blundell and Bond (1998) to estimate the dynamic panel model. This method is appropriate for panels with a large number of cross-sectional units and relatively shorter time periods. It uses lagged levels and differences of endogenous variables as instruments, thereby addressing potential endogeneity, simultaneity, and unobserved heterogeneity.

Our dataset includes 545 non-financial listed firms in Vietnam from 2007 to 2024, yielding 8,239 firm-year observations. Data are sourced

from FiinPro for firm-level variables and from the SBV and [www.policyuncertainty.com](http://www.policyuncertainty.com) for macroeconomic indicators. Firms in the financial sector, those with negative assets or equity, and those with fewer than four consecutive observations are excluded. We winsorize all continuous variables at the 1st and 99th percentiles to address outlier bias.

### 3. EMPIRICAL RESULTS

Table 1 presents the summary statistics for all variables used in the analysis, based on a sample of 545 listed non-financial firms in Vietnam from 2007 to 2024. The data exhibit substantial variation across firms and over time, reflecting heterogeneity in investment behavior, financial characteristics, and macroeconomic conditions, thereby supporting the use of a dynamic panel framework.

The average financial investment ratio is 0.106, indicating that, on average, firms allocate about 10.6% of total assets to financial investments. However, the standard deviation is high (0.150), with values ranging from 0 to 0.686. This highlights significant heterogeneity in financialization levels: some firms make no financial investments, while others allocate up to 70% of their assets to financial assets. The average state ownership ratio is 21.8%, with a maximum of 83%, suggesting a notable presence of state capital in the corporate sector. The binary state ownership variable has a mean of 0.240, indicating that around 24% of observations involve firms with majority state control (above 50%).

We also examine the correlation matrix to assess linear relationships among the variables. The results indicate no severe multicollinearity, with most correlation coefficients remaining within acceptable bounds. A few monetary policy indicators are strongly correlated, as they reflect similar policy directions. For brevity, the correlation matrix is not reported here but is available upon request.

Table 2 reports the GMM estimation results examining the impact of monetary policy on firms' financial investment. Diagnostic tests confirm the validity of the model: the Hansen test indicates no instrument overidentification

**Table 1.** Variable definitions and descriptive statistics

Variables	Definition	Mean	SD	Min	Max
Financial investment	(Short-term financial investment + Long-term financial investment) / Total assets	0.106	0.150	0.000	0.686
Firm size	Natural logarithm of total assets	27.086	1.580	23.729	31.505
Financial leverage	Total liabilities / Total assets	0.556	0.239	0.045	0.962
Liquidity	Cash and cash equivalents / Total assets	0.098	0.103	0.001	0.506
Profitability	Net income / Total assets	0.066	0.071	-0.120	0.338
State ownership ratio	State capital / Charter capital	0.218	0.252	0.000	0.830
State ownership dummy	Equals 1 if state ownership exceeds 50%, and 0 otherwise	0.240	0.427	0.000	1.000
Refinancing rate	Policy interest rate announced by the SBV	0.071	0.026	0.040	0.150
Rediscount rate	Rediscount rate as announced by the SBV	0.051	0.025	0.025	0.130
1-month interbank rate	Average interbank interest rate for a 1-month term	0.060	0.035	0.004	0.136
3-month interbank rate	Average interbank interest rate for a 3-month term	0.070	0.035	0.023	0.154
GDP	Annual GDP growth rate	0.059	0.014	0.026	0.080
VNIndex	Annual growth rate of the VNIndex	0.081	0.279	-0.660	0.568
GEPU	Natural logarithm of the average monthly GEPU index	5.113	0.378	4.246	5.763

(p-values of 0.183 and 0.212), while the AR(2) test suggests no second-order serial correlation ( $p > 0.85$ ). The lagged financial investment ratio is strongly positive (coefficients between 0.835 and 0.842, significant at 1%), suggesting high persistence in financial investment behavior over time.

Regarding monetary policy, both the refinancing and rediscount rates have negative and statistically significant effects at the 5% level. A one percentage point reduction in the refinancing rate (e.g., from 7% to 6%) increases the financial investment ratio (FIT) by 0.082 percentage points (e.g., from 10.6% to 10.682%). Given the sample mean of 10.6%, this change corresponds to a relative increase of approximately 0.77% (i.e.,  $0.082/10.6$ ).

The impact of interbank interest rates is even more pronounced. Both the 1-month and 3-month interbank rates show negative and highly significant coefficients (1% level). A reduction of 1 percentage point in the 1-month interbank rate increases financial investment by 0.099 percentage points.

Among control variables, liquidity has the strongest effect: firms with higher cash holdings tend to invest more in financial assets (significant at 1%). Firm size is positively associated with financial investment at the 10% level. In contrast, state ownership shows a negative and significant effect (5%). The global economic policy uncer-

tainty index (GEPU) has a positive and significant effect (1%).

Tables 3 and 6 present the results from the extended dynamic panel models incorporating interaction terms between monetary policy variables and state ownership measures. All diagnostic tests continue to support the validity of the models: the Hansen and AR(2) tests yield non-significant results. The lagged dependent variable remains positive and highly significant across specifications.

The core findings show that all interest rate variables have negative and statistically significant effects on financial investment (1% level). However, the interaction terms with the state ownership ratio are positive and highly significant, indicating a strong moderating effect. For example, in Table 3, the refinancing rate has a coefficient of  $-0.787$ , while its interaction with the state ownership ratio is  $+2.600$  ( $p < 0.01$ ). This implies that for every 1 percentage point increase in state ownership, the negative impact of the refinancing rate on financial investment is reduced by approximately 0.026 percentage points. At high ownership levels (e.g., 50%), this effect almost neutralizes the initial impact. Similarly, the rediscount rate has a coefficient of  $-0.930$ , with an interaction term of  $+3.183$ . The implied moderation effect is even stronger, suggesting that monetary policy executed through the rediscount channel is more sensitive to ownership structure.

**Table 2.** Monetary interest rates and financial investment ratio

Variables	(1)	(2)	(3)	(4)
Lagged dependent variable	0.835*** (0.034)	0.835*** (0.034)	0.842*** (0.033)	0.841*** (0.033)
Refinancing rate	-0.082** (0.036)			
Rediscount rate		-0.081** (0.040)		
1-month interbank rate			-0.099*** (0.027)	
3-month interbank rate				-0.087*** (0.027)
Firm size	0.002* (0.001)	0.002* (0.001)	0.002* (0.001)	0.002 (0.001)
Financial leverage	0.001 (0.011)	0.001 (0.011)	0.002 (0.011)	0.003 (0.011)
Liquidity	0.193*** (0.021)	0.193*** (0.021)	0.195*** (0.021)	0.195*** (0.021)
Profitability	-0.023 (0.030)	-0.023 (0.030)	-0.020 (0.030)	-0.019 (0.030)
State ownership ratio	-0.009** (0.004)	-0.009** (0.004)	-0.009** (0.004)	-0.009** (0.004)
GDP	0.093 (0.070)	0.084 (0.070)	0.106 (0.071)	0.116* (0.069)
VNIndex	-0.003 (0.004)	-0.003 (0.004)	-0.003 (0.004)	-0.004 (0.004)
GEPU	0.013*** (0.003)	0.014*** (0.003)	0.011*** (0.003)	0.013*** (0.003)
Observations	7.694	7.694	7.694	7.694
AR(1) test	0.000	0.000	0.000	0.000
AR(2) test	0.854	0.858	0.860	0.878
Hansen test	0.183	0.177	0.212	0.234

Note: Dependent variable: Financial investment ratio. Values in parentheses represent standard errors. \*\*\*, \*\*, and \* denote statistical significance at the 1%, 5%, and 10% levels, respectively.

Table 4 shows consistent patterns for the 1-month and 3-month interbank rates. The negative effects of these rates on financial investment are significantly moderated by higher state ownership, with interaction coefficients of +1.575 and +1.661, respectively.

Tables 5 and 6 further test this relationship using a state ownership dummy variable, which equals 1 for firms where the state holds more than 50% of

equity. All interaction terms remain positive and statistically significant (at 1% or 5%). Notably, the direction of the total effect even reverses in these firms. For instance, in Table 5, column (2), the rediscount rate has a direct effect of -0.510, but the interaction term of +1.288 results in a net positive effect of +0.778 for state-dominated firms. A similar reversal is observed with the 3-month interbank rate in Table 6, where the net effect for state firms becomes +0.479.

**Table 3.** Policy interest rates and the moderating role of the state ownership ratio

Variables	(1)	(2)
Lagged dependent variable	0.850*** (0.019)	0.849*** (0.019)
Refinancing rate	-0.787*** (0.203)	
Refinancing rate*State ownership ratio	2.600*** (0.754)	
Rediscount rate		-0.930*** (0.234)
Rediscount rate*State ownership ratio		3.183*** (0.892)
Firm size	0.002** (0.001)	0.002** (0.001)
Financial leverage	-0.002 (0.008)	-0.002 (0.008)
Liquidity	0.178*** (0.015)	0.179*** (0.015)
Profitability	-0.030 (0.022)	-0.033 (0.022)
State ownership ratio	-0.150*** (0.041)	-0.133*** (0.035)
GDP	0.182*** (0.068)	0.172** (0.067)
VNIndex	-0.002 (0.004)	-0.003 (0.004)
GEPU	0.012*** (0.003)	0.012*** (0.003)
Observations	7.694	7.694
AR(1) test	0.000	0.000
AR(2) test	0.578	0.476
Hansen test	0.107	0.110

Note: Dependent variable: Financial investment ratio. Values in parentheses represent standard errors. \*\*\*, \*\*, and \* denote statistical significance at the 1%, 5%, and 10% levels, respectively.

**Table 4.** Interbank interest rates and the moderating role of state ownership ratio

Variables	(1)	(2)
Lagged dependent variable	0.852*** (0.015)	0.851*** (0.018)
1-month interbank rate	-0.473*** (0.122)	
1-month interbank rate*State ownership ratio	1.575*** (0.493)	
3-month interbank rate		-0.493*** (0.131)
3-month interbank rate*State ownership ratio		1.661*** (0.534)
Firm size	0.002*** (0.001)	0.002** (0.001)
Financial leverage	-0.003 (0.006)	0.000 (0.008)
Liquidity	0.175*** (0.014)	0.183*** (0.015)
Profitability	-0.001 (0.019)	-0.019 (0.022)
State ownership ratio	-0.077*** (0.022)	-0.094*** (0.027)
GDP	0.152*** (0.057)	0.205*** (0.068)
VNIndex	-0.000 (0.003)	-0.003 (0.004)
GEPU	0.011*** (0.003)	0.013*** (0.003)
Observations	7.694	7.694
AR(1) test	0.000	0.000
AR(2) test	0.675	0.692
Hansen test	0.225	0.107

Note: Dependent variable: Financial investment ratio. Values in parentheses represent standard errors. \*\*\*, \*\*, and \* denote statistical significance at the 1%, 5%, and 10% levels, respectively.

**Table 5.** Policy interest rates and the moderating role of the state ownership dummy

Variables	(1)	(2)
Lagged dependent variable	0.847*** (0.017)	0.845*** (0.017)
Refinancing rate	-0.489*** (0.139)	
Refinancing rate*State ownership dummy	1.197*** (0.416)	
Rediscount rate		-0.510*** (0.149)
Rediscount rate*State ownership dummy		1.288*** (0.463)
Firm size	0.002* (0.001)	0.002** (0.001)
Financial leverage	-0.003 (0.008)	-0.003 (0.008)
Liquidity	0.176*** (0.015)	0.176*** (0.015)
Profitability	-0.016 (0.020)	-0.019 (0.021)
State ownership ratio	-0.061*** (0.019)	-0.048*** (0.016)
GDP	0.135** (0.062)	0.117* (0.061)
VNIndex	-0.001 (0.003)	-0.003 (0.004)
GEPU	0.012*** (0.003)	0.012*** (0.003)
Observations	7.694	7.694
AR(1) test	0.000	0.000
AR(2) test	0.573	0.555
Hansen test	0.168	0.143

Note: Dependent variable: Financial investment ratio. Values in parentheses represent standard errors. \*\*\*, \*\*, and \* denote statistical significance at the 1%, 5%, and 10% levels, respectively.

**Table 6.** Interbank interest rates and the moderating role of the state ownership dummy

Variables	(1)	(2)
Lagged dependent variable	0.849*** (0.017)	0.847*** (0.017)
1-month interbank rate	-0.273*** (0.091)	
1-month interbank rate*State ownership dummy	0.687** (0.339)	
3-month interbank rate		-0.295*** (0.080)
3-month interbank rate*State ownership dummy		0.774*** (0.290)
Firm size	0.002** (0.001)	0.002** (0.001)
Financial leverage	-0.001 (0.008)	-0.002 (0.008)
Liquidity	0.177*** (0.014)	0.177*** (0.015)
Profitability	-0.010 (0.020)	-0.010 (0.020)
State ownership ratio	-0.031** (0.013)	-0.039*** (0.013)

**Table 6 (cont.).** Interbank interest rates and the moderating role of the state ownership dummy

Variables	(1)	(2)
GDP	0.116* (0.060)	0.155** (0.061)
VNIndex	0.000 (0.003)	-0.001 (0.004)
GEPU	0.011*** (0.003)	0.013*** (0.003)
Observations	7.694	7.694
AR(1) test	0.000	0.000
AR(2) test	0.741	0.734
Hansen test	0.151	0.164

Note: Dependent variable: Financial investment ratio. Values in parentheses represent standard errors. \*\*\*, \*\*, and \* denote statistical significance at the 1%, 5%, and 10% levels, respectively.

## 4. DISCUSSION

The empirical results indicate that expansionary monetary policy is associated with an increase in corporate financial investment, supporting the view that lower interest rates encourage firms to reallocate resources toward financial assets. This finding is broadly consistent with prior empirical studies documenting that firms respond to monetary easing by adjusting their investment behavior (Cloyne et al., 2020; Ottonello & Winberry, 2020).

The positive relationship between monetary easing and corporate financial investment aligns with theoretical predictions. According to Tobin's Q theory (Tobin, 1969), lower interest rates increase the present value of future cash flows, raising the firm's market valuation relative to asset replacement cost, thereby encouraging investment. Additionally, monetary easing improves asset price expectations, fostering favorable conditions for financial investment.

These findings are also consistent with the balance sheet channel (Bernanke et al., 1999), which suggests that monetary policy influences firms' investment capacity through asset valuations, credit risks, and borrowing costs. In low-rate environments, stronger asset values improve collateral positions and enhance borrowing ability, supporting greater financial investment.

At the same time, the results extend the emerging literature on corporate financialization, which suggests that accommodative monetary policy may encourage firms to increase holdings of financial assets rather than real investment (Orhangazi, 2008; Zhang & Zheng, 2020). In this respect, the findings provide additional evidence from an

emerging market context, where bank-based financial systems may amplify such effects.

However, the moderating role of state ownership introduces important heterogeneity in policy transmission. The dampening or even reversing effect of monetary policy among state-owned enterprises reflects institutional rigidity and alternative organizational objectives. As noted by Chen et al. (2019), state-owned enterprises are often less sensitive to financing costs due to stable access to credit and implicit government backing. Agency theory further explains that state-owned enterprises' managers may prioritize social or political goals over financial optimization (Jensen & Meckling, 1976), reducing responsiveness to monetary signals.

This heterogeneous response is consistent with prior studies emphasizing that ownership structure shapes firms' sensitivity to external financing conditions (Fonseka et al., 2021; Niu et al., 2023). However, the direction of the effect observed in this study differs from some existing evidence. Three explanations may account for the reversed effect observed in state-dominated firms. First, state-owned enterprises are often bound by non-commercial mandates and do not prioritize short-term profit maximization. Second, while private firms may increase financial investment when credit is cheap, state-owned enterprises may instead redirect resources to real-sector projects aligned with government agendas. Third, risk-averse management and strict audit frameworks discourage state-owned enterprises from increasing exposure to volatile financial markets during low-rate periods.

Compared to prior literature, Zhang and Zheng (2020) find that expansionary monetary policy promotes financial investment in Chinese state-

owned enterprises, due to direct access to policy-driven credit. In contrast, this study reveals a weaker or negative response in Vietnamese state-owned enterprises, likely due to stricter oversight and less flexible governance structures. This di-

vergence highlights the role of institutional differences across countries and suggests that the impact of state ownership on monetary policy transmission is context-dependent rather than universal.

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## CONCLUSION

This study examines how monetary policy affects firms' financial investment behavior and how this relationship is moderated by state ownership in Vietnam. The results show that lower interest rates generally increase financial investment among firms, but this effect weakens as state ownership rises. For firms with controlling state ownership, monetary easing may even reduce financial investment, indicating a reversal in the transmission mechanism. These findings highlight significant heterogeneity in firms' responses to monetary policy.

Overall, the results suggest that ownership structure plays a critical role in shaping the effectiveness of monetary policy and may lead to uneven transmission across the corporate sector. Policymakers should therefore consider ownership-related differences when designing monetary interventions to ensure that policy measures effectively support productive investment and sustainable economic growth.

## AUTHOR CONTRIBUTIONS

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