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**ARTICLE**

# Factors Affecting the Cost of Capital of Food Processing Enterprises in Vietnam

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## ABSTRACT

The cost of capital represents a critical hurdle rate that any enterprise must surpass to generate added value and achieve sustainable growth. For food processing enterprises in Vietnam, understanding and managing the factors that influence the cost of capital is vital but remains relatively overlooked in both practice and research. This study investigates the key determinants of the cost of capital for Vietnamese food processing firms, aiming to bridge this knowledge gap and provide practical insights for managers and policymakers. The research is grounded in primary data gathered through a structured survey of 125 food processing enterprises across Vietnam. Using robust quantitative methods and multiple linear regression analysis, the study identifies six significant factors out of seven examined that affect the cost of capital. These include macroeconomic and firm-specific variables such as inflation, market interest rates, corporate income tax rates, financing decisions, distribution decisions, and firm size. Inflation, higher market interest rates, and larger firm size are found to increase the cost of capital, while favorable corporate income tax rates, sound financing decisions, and effective distribution strategies contribute to lowering it. By highlighting how these factors operate and interact, the study offers evidence-based recommendations to help food processing businesses optimize their capital structure and improve financial performance. The findings contribute to the literature on corporate finance in emerging markets and serve as a practical reference for enterprises seeking to enhance capital efficiency and competitiveness in Vietnam's dynamic economic environment.

***Keywords:*** Factors; Capital Costs; Businesses; Food Processing; Vietnam; Results

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# 1. Introduction

Vietnamese businesses operating in the market economy-especially during the period of integration into regional and global economy-face many difficulties, the most significant of which is capital. The cost of capital represents the interest rate that businesses must pay to use debt or equity capital to finance their production and operations [1]. Capital expenditure represents a substantial and vital investment for a business's long-term development, reflecting its financial health and investment potential of the business. Capital costs affect the success or failure of businesses, so businesses are always interested in capital costs [2]. To further improve the efficiency of capital use at businesses, it is necessary to consider factors that affect capital costs.

# 2. Theoretical Basis and Research Overview

## 2.1.Theoretical Basis of Capital Cost

Capital costs are also the costs businesses must pay to mobilize capital, including loans and equity, to serve production and business activities. Capital expenditures must be paid for the purchase of physical assets such as factories, land, machinery, technology, office equipment and even intangible assets such as patents and licenses. This cost is usually expressed as a percentage and reflects the interest rate or return required by the investor [3].

Capital costs are considered the key to improving production capacity, expanding scale and maintaining a business's competitive advantage in the market. As a key component of long-term business development strategies, capital expenditure are often allocated to expand or sustain production and operational activities. These investments are typically large, depreciated over time, and contribute to the business's future profit-generating capacity. Because capital costs are often substantial and may not be immediately reflected in short-term financial results, businesses must carefully assess these expenditures to ensure they yield long-term benefits and are gradually amortized gradually. This consideration plays a crucial role in evaluating investment efficiency and managing corporate finances. While managing and minimizing capital costs can offer substantial benefits, it also requires careful planning to avoid financial risks [4]. The role of capital costs is specifically shown in the following aspects:

- Evaluate investment efficiency: capital costs are the standard for businesses to compare with expected profits from investment projects. Only when project returns exceed capital costs can businesses generate added value and reduce risk.
- Financial decision making: cost of capital affects financial decisions, such as whether to use debt or equity financing, how to allocate capital across projects, and how to determine an optimal capital structure to minimize costs.
- Optimize capital structure: understanding the cost of each source of capital (debt and equity) helps businesses establish a reasonable capital structure to optimize the cost of capital. Businesses can consider using debt (with lower interest rates but higher financial risk) and equity (without paying interest but requiring higher profits).
- Increase business value: determining and managing capital costs effectively helps businesses optimize financial decisions, thereby increasing profits and maximizing value for shareholders.
- Supports business valuation: the cost of capital is also an important component in business valuation models, such as discounted cash flow models, which help estimate the present value of future cash flows. This supports the assessment of the value of assets or projects in which businesses invest.

Considering and estimating capital costs is a very important issue for corporate financial administrators. Capital costs are used primarily to make decisions regarding raising new capital for investment projects. In

addition, considering the cost of capital provides strategic insight for managers when considering choosing a business's long-term capital mobilization strategy. Business managers use cost of capital to measure the estimate the amount of funding required to cover initial investment costs to achieve desired profits for new projects. At the same time, they use this index to analyze possible risks in future business decisions. To achieve effective financial management, minimizing capital costs is the key to business success.

Many different factors influence a business's cost of capital. Identifying factors that affect capital costs helps businesses make the right investment decisions and improve profits [5].

Objective factor group:

Inflation: when inflation is high, the cost of capital increases because investors demand higher rates of return to compensate for losses caused by the loss of purchasing power of money.

Market interest rates: when market interest rates are high, the required rate of return from investors is also high, so the capital cost of the business is also high and vice versa.

Corporate income tax policy: loan interest is deductible before calculating income tax. Therefore, interest is considered a tax shield for businesses. If the tax rate is high, the tax benefit is large and reduces the capital cost of the business and vice versa.

Risk level of the investment project: Higher project risk leads investors to demand higher returns, increasing the cost of capital. Conversely, lower risk reduces required returns and thus capital costs.

Group of subjective factors:

Investment policy: If a business implements a policy of investing in assets with a high level of risk, the required rate of return from investors will also be high and vice versa. Therefore the cost of capital also changes.

Financing policy: When a business mobilizes a lot of capital, it will increase financial risks for investors' capital and increase the business's cost of capital.

Dividend policy: A company's dividend policy determines the size of reinvested profits. If a large portion of after-tax profits is reinvested, the need for external financing (typically more expensive) is reduced, thereby lowering capital costs.

Scale of the business: larger businesses often benefit from economies of scale, allowing them to access capital at lower costs and generate higher profits. Meanwhile, smaller businesses may face higher capital costs due to limited resources and higher perceived risk.

### 2.2.Research Overview

Capital costs hold particular importance for businesses and have been examined by various scholars. Specifically:

Schoenmaker et al. (2022) confirmed that national institutions, cultural frameworks, investment and market policies of enterprises significantly affect the cost of capital. These findings enable businesses and investors to make more informed decisions regarding capital utilization [6].

Globally, there remains a lack of empirical studies that specifically investigate the factors influencing firms' cost of capital. In Vietnam, the studies by Pham (2020) [7], and Doan & Le (2020) [8] mainly focus on listed companies in general or the manufacturing sector with a relatively broad scope, and there is still a lack of in-depth research targeting the food processing industry. Moreover, these studies tend to rely primarily on quantitative methods with secondary data and lack the integration of qualitative approaches such as expert interviews to develop measurement scales that are appropriate for the actual context.

## 3. Proposed Model and Hypothese

Based on the theoretical foundations and the research overview, the author thoroughly examines the specific characteristics of the food processing industry in Vietnam-an industry characterized by high working capital requirements, strong seasonality, and significant dependence on raw material price fluctuations - and

from this, proposes a research model consisting of five factors affecting the cost of capital in this sector, including: (i) Inflation, (ii) Market interest rates, (iii) Corporate income tax policy, (iv) Investment policy, (v) Sponsorship policy, (vi) Distribution policy, (vii) Enterprise size. **Figure 1** below shows the research model:

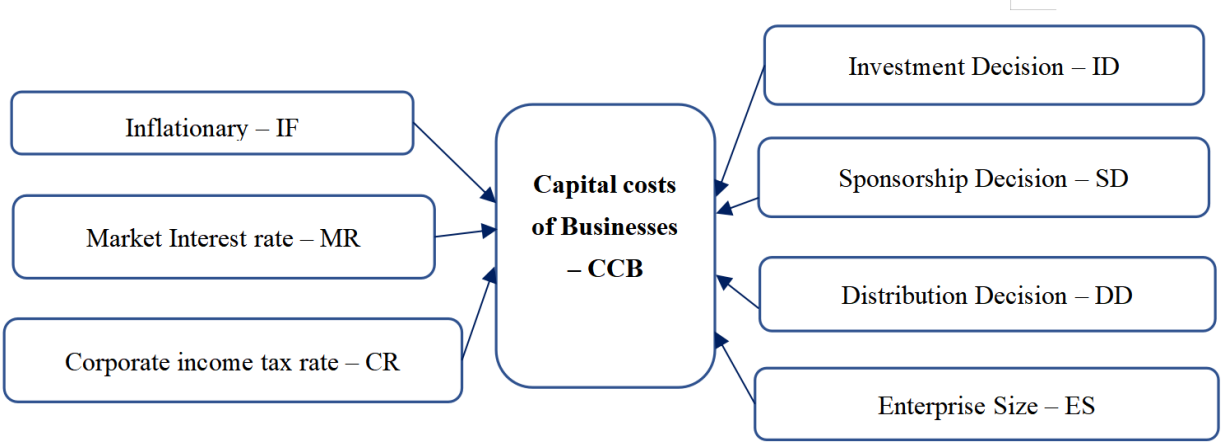


**Figure 1.** Research model of factors affecting the cost of capital of food processing enterprises in Vietnam.
*Source: Author's synthesis.*

Based on the theoretical overview, the author of the article proposes the following initial research model:

$$CCB_i = \alpha + \beta_1 * IF_i + \beta_2 * MR_i + \beta_3 * CR_i + \beta_4 * ID_i + \beta_5 * SD_i + \beta_6 * DD_i + \beta_7 * ES_i + \varepsilon$$

In there:

- *CCB*: Capital cost of the enterprise
- *IF*: Inflation
- *MR*: Market interest Rate
- *CR*: Corporate income tax Rate
- *ID*: Investment Decision
- *SD*: Sponsorship Decision
- *DD*: Distribution Decision
- *ES*: Enterprise Size

Where, $\alpha$ is a constant; while $\beta$ is the coefficient of variation explained and $\varepsilon$ is the residual and $i$ is the number of observations.

Accordingly, the author builds hypotheses to research factors affecting capital costs of Vietnamese food processing enterprises as follows:

(i) Inflation: If inflation increases, the cost of input materials such as production materials, fuel, construction materials... will increase, thereby increasing the production costs of businesses. That causes capital costs to increase and can lead to a reduction in production scale, a decrease in goods output, and a decrease in revenue and profits of businesses [9,10].

From the above analysis, we can establish hypothesis:

**H1.** *Inflation has a positive impact on capital costs of Vietnamese food processing enterprises.*

(ii) Market interest rate: Market interest rates are one of the important factors affecting capital costs of businesses when they need to borrow capital to invest and expand production and business [11]. If market interest rates increase, businesses will have difficulty accessing capital and increase capital costs, one of the factors that directly impacts product prices, reducing the competitiveness of businesses in the context of global trade. On the contrary, if market interest rates decrease, businesses can save on loan costs and invest in business activities, enhance competitiveness and business development [12].

From the above analysis, we can establish hypothesis:

**H2.** *Market interest rates have a positive impact on capital costs of Vietnamese food processing enterprises.*

(iii) Corporate income tax rate: According to Modigliani & Miller (1958) [1], when the corporate income tax rate increases, borrowing businesses benefit

more because they take advantage of the tax shield, thus reducing the cost of capital. From the above analysis, we can establish hypothesis:

**H3.** *Corporate income tax rate has a negative impact on capital costs of Vietnamese food processing enterprises.*

(iv) Investment decision: If a business prioritizes investment in fixed assets, it needs to mobilize large and long-term capital, leading to an increase in capital costs. Conversely, if a business focuses on investing in current assets, the amount of capital required is lower, thereby reducing capital costs [13,14]. Therefore, if the investment policy is reasonable, it will help reduce capital costs; on the contrary, if the investment policy is unreasonable, it will increase the capital cost of the business.

From the above analysis, we can establish hypothesis:

**H4.** *Investment decisions have a negative impact on capital costs of Vietnamese food processing enterprises.*

(v) Sponsorship decision: To carry out investment projects or meet production and business needs, for equity capital, the enterprise will first mobilize endogenous capital sources such as retained profits. When all capital has been mobilized but not enough capital, the enterprise will use exogenous capital sources such as issuing new common shares or loan capital. For exogenous capital, businesses will often mobilize capital with low costs first, then capital with higher costs [15]. Thus, a well-structured financing policy can help reduce capital costs, while an inappropriate financing policy may lead to increased capital costs.

From the above analysis, we can establish hypothesis:

**H5.** *Sponsorship decisions have a negative impact on capital costs of Vietnamese food processing enterprises.*

(vi) Distribution decisions: A company's distribution decisions affect the size of reinvested profits. Businesses often use part of their after-tax profits to reinvest. This is the source of equity arising from within the enterprise, mainly profits from production and business activities. This helps strengthen the internal finances of the business and provides capital for development and expansion projects without having to mobilize from the outside [16].

If a business decides to use most of its after-tax profits for reinvestment, it can reduce the need to mobilize capital from outside and reduce the cost of capital. On the contrary, if the company decides to use most of its after-tax profits to pay dividends to shareholders, the company may have to look for other sources of capital outside the business, increasing this cost.

From the above analysis, we can establish hypothesis:

**H6.** *Distribution decisions have a negative impact on capital costs of Vietnamese food processing enterprises.*

(vii) Enterprise size: Large-scale enterprises often require large amounts of capital to meet production and business needs, so capital costs are large. On the contrary, small-scale enterprises only need less capital, so capital costs are smaller [17].

From the above analysis, we can establish hypothesis

**H7.** *Enterprise size has a positive impact on capital costs of Vietnamese food processing enterprises.*

# 4. Research Methods

To research the factors affecting the capital costs of Vietnamese food processing enterprises, the author employs a combination of qualitative research methods and quantitative research methods. In this study, the qualitative research method is used to synthesize previous studies related to the topic, thereby identifying the research hypotheses. The quantitative method is then applied to test these proposed hypotheses. Based on the results of expert interviews, the author develops measurement scales for the factors affecting the cost of capital of Vietnamese food processing enterprises, which serve as input for the quantitative research method (**Table 1**). The author employs statistical methods and a multiple regression model to test the research hypotheses and to measure and explain the extent to which each factor influences the cost of capital of Vietnamese food processing enterprises.

**Table 1.** Scale details are constructed, observations are coded.

| Numerical Order | Scale | Encryption | References | Expectation Sign |
|---|---|---|---|---|
| | Dependent variable | | | |
| Capital costs of Businesses – CCB | Good management of capital costs helps increase the production and business capacity of enterprises. | CCB1 | [1] | |
| | Good management of capital costs helps businesses reduce financial risks. | CCB2 | | |
| | Good management of capital costs helps increase business value | CCB3 | | |
| | Independent variable | | | |
| Inflationary – IF | Businesses have difficulty accessing loans | IF1 | [9] | + |
| | Capital costs increase due to increased demand for worker salaries | IF2 | | |
| | Capital costs increase due to rapid increase in production and business inputs. | IF3 | | |
| | Limiting investment opportunities to expand production and business of enterprises | IF4 | | |
| Market Interest rate – MR | Rising interest rates cause businesses' cost of capital to increase | MR1 | [11,12] | + |
| | Rising interest rates make businesses reconsider expanding production and business | MR2 | | |
| | Rising interest rates force businesses to find ways to optimize their capital structure. | MR3 | | |
| | Lower interest rates encourage businesses to invest in fixed assets. | MR4 | | |
| Corporate income tax rate – CR | Encourage businesses to finance with debt increasing with the rate of corporate income tax payable | CR1 | [1,18] | - |
| | Increased corporate income tax helps businesses reduce their cost of capital due to the impact of the tax shield. | CR2 | | |
| | Corporate income tax helps businesses balance their capital structure to reduce the cost of capital. | CR3 | | |
| Investment Decision– ID | Enterprises increase investment in fixed assets, causing capital costs to increase. | ID1 | [13,14,19,20] | - |
| | Investment policy determines the cost of capital and affects the financial health of the business. | ID2 | | |
| | Investment decisions determine the cost of capital and affect the future operations of the business. | ID3 | | |
| Sponsorship Decision – SD | Equity financing can increase the cost of capital | SD1 | [15,21,22] | - |
| | Debt financing can reduce the cost of capital due to the tax shield effect. | SD2 | | |
| | Reasonable financing decisions help businesses minimize capital costs | SD3 | | |
| Distribution Decision – DD | Businesses that retain a large portion of their after-tax profits for reinvestment will have a positive impact on the cost of capital. | DD1 | [16,23,24] | - |
| | Enterprises that spend most of their retained earnings after tax to pay dividends to shareholders will have a negative impact on the cost of capital. | DD2 | | |
| | The distribution decision of the enterprise has a significant impact on the cost of capital. | DD3 | | |
| Enterprise Size – ES | Large scale enterprises require more capital financing which increases the cost of capital | ES1 | [17] | + |
| | Small businesses can raise small amounts of capital and the cost of capital is not affected much. | ES2 | | |
| | The size of the business requires financial managers to consider choosing funding sources to minimize the cost of capital. | ES3 | | |

*Source: Author's synthesis.*

The author used a 5-point Likert scale, ranging from 1 (completely disagree) to 5 (completely agree), to assess the respondents' viewpoints. This scale is commonly used in primary data survey studies, converting qualitatively to quantitatively [25].

**Research Sample**

The author collected the research sample from food processing companies across Vietnam using data on attributes developed in the measurement scales from 2022 to 2024. The data collection was conducted by sending survey questionnaires directly or indirectly (via email or Google Forms) to company branches.

**Target respondents:**

At each food processing company, the author distributed three separate questionnaires to different respondent groups, including:

(i) one questionnaire sent to the company's Director or Deputy Director of Finance;
(ii) one questionnaire sent to the Head or Deputy Head of the Finance Department;
(iii) one questionnaire sent to a financial officer within the company.

**Sample size:**

In this study, the author distributed 375 questionnaires and received 362 completed responses. After checking and screening the data, 358 valid questionnaires were included in the analysis. This sample size meets the requirements for statistical analysis, specifically:

- For Exploratory Factor Analysis (EFA): the minimum required sample size is typically at least five times the number of observed variables (Hair et al., 2010 [26]; Comrey, 2013 [27]; Roger, 2014 [28]). In this study, with 26 observed variables, the minimum required sample size is 130 responses.
- For multiple regression analysis: the minimum sample size is calculated using the formula N = 50 + 8*m (where m is the number of independent variables), according to Tabachnick & Fidell (1996) [29]. With seven independent variables, the minimum required sample size is 106 observations.

Therefore, the sample size of 358 valid responses is appropriate to ensure both reliability and representativeness, and it satisfies the requirements of the statistical methods used in this study.

# 5. Research Results and Discussion

## 5.1.Research Results

The results of the research model regression are shown in the table below (**Table 2**):

**Table 2.** Multiple regression analysis.

| Coefficients [a] | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Collinearity Statistics | |
| | | B | Std. Error | Beta | | | Tolerance | VIF |
| 1 | (Constant) | 2.173 | 0.331 | | −0.148 | 0.657 | | |
| | IF | 1.266 | 0.082 | 0.412 | 12.302 | 0.001 | 0.617 | 1.601 |
| | MR | 0.518 | 0.117 | 0.735 | 0.918 | 0.000 | 0.703 | 1.422 |
| | CR | 0.096 | 0.126 | −0.291 | −0.654 | 0.015 | 0.518 | 1.305 |
| | SD | 0.077 | 0.103 | −0.313 | −0.427 | 0.006 | 0.492 | 1.219 |
| | DD | 0.046 | 0.081 | −0.348 | −0.411 | 0.023 | 0.688 | 1.155 |
| | ES | 0.032 | 0.075 | 0.557 | 0.716 | 0.018 | 0.524 | 1.027 |
| a. Dependent Variable: CCB | | | | | | | | |

*Source: SPSS analysis results.*

Through **Table 2**, we can see that the VIF coefficient of the 6 factors included in the model by the author has a value less than 2, ranging from −1.027 to 1.601. This shows that the research model does not have multicollinearity. In addition, the Sig coefficient of the variables is less than 5%, so it can be concluded that the variables included in the model are all meaningful. The empirical model is rewritten as follows:

**CCB = 2.173 + 0.412*IF + 0.735*MR – 0.291*CR – 0.313*SD – 0.348*DD + 0.557*ES**

The results of the correlation analysis in **Table 2** show that hypotheses H1, H2, H3, H5, H6, H7 are all accepted and highly significant. The variables IF, MR and ES (corresponding to hypotheses H1, H2 and H7) have a positive impact on the dependent variable (CCB). Of which, the strongest impact is the variable MR (β_2 = 0.735), followed by the variable ES (β_7 = 0.557) and the variable IF (β_1 = 0.412). The variables CR, SD and DD have a negative impact on the dependent variable.

## 5.2.Discussion

The research results not only clarify the factors affecting the cost of capital but also align closely with the specific characteristics of the food processing industry in Vietnam. This sector is characterized by high seasonality, substantial working capital requirements, and a strong dependence on fluctuations in input material prices as well as changes in the consumer demandt. Therefore, factors such as inflation (IF) and market interest rates (MR) have a significant impact on the cost of capital, which is entirely consistent with the reality that businesses in this sector often rely on short-term loans to maintain continuous production while facing volatility in prices and operating costs.

Inflation (IF): has a positive relationship with the cost of capital, with a coefficient β = 0.412. This indicates that when inflation rises, the cost of capital for firms also increases because inflation erodes the real value of money and leads investors to demand higher returns to compensate for the risk. This result is consistent with the findings of Graham & Harvey (2001) [30] and Myers (1984) [31], who pointed out that macroeconomic volatility, especially high inflation, negatively affects capital structure and the cost of capital in emerging markets. In Vietnam's food processing industry, working capital accounts for a large proportion of total capital and is directly influenced by price fluctuations in material prices and operating costs, especially in a high-inflation context. Therefore, the impact of inflation on the cost of capital in this sector is clearly evident, increasing the pressure on firms' capital mobilization and financial management.

Market Interest Rate (MR): has the strongest positive impact on the cost of capital, with a coefficient of β = 0.735. This result is consistent with the theory of Fama & French (1998) [32], which suggests that rising market interest rates increase firms' borrowing costs while also raising investors' expected returns, thereby pushing up the cost of capital. Frank & Goyal (2009) [33] also confirmed the crucial role of interest rates in firms' capital structure and cost of capital decisions. Especially in Vietnam's food processing industry, working capital loans account for a large share to meet seasonal production demands and are sensitive to fluctuations in raw material markets. This makes the market interest rate a key determinant of the cost of capital, accurately reflecting the financial realities and challenges faced by the industry.

Enterprise Size (ES): has a positive relationship with the cost of capital, with a coefficient of β = 0.557. This result is similar to the study by Schoenmaker et al. (2022), which shows that as firm size expands, capital needs grow, new investments increase, and firms often have to diversify funding sources, sometimes accepting a higher cost of capital to meet financing needs in a timely manner. However, this finding differs somewhat from some international studies such as Titman & Wessels (1988) [34] or Rajan & Zingales (1995) [35], which argue that larger firms usually have lower costs of capital due to their credibility and access to preferential funding. Baker & Wurgler (2021) offer a behavioral finance perspective, suggesting that market expectations and firm behavior may influence the cost of capital. This may help explain the differing results in Vietnam's food processing industry, where most firms are small or medium-sized, with limited capacity for capital management. As a result, expanding scale may lead to higher financial risk and increased capital costs due to inadequate financial control.

Corporate Income Tax Rate (CR): has a negative relationship with the cost of capital, with a coefficient of β = −0.291. This result is consistent with the Modigliani–Miller (1963) [36] theory and the Trade-off Theory. The higher the corporate income tax rate, the greater the tax shield benefits from debt financing, which helps firms reduce their average cost of capital. Frank & Goyal (2009) [33] also emphasize the role of tax policy in optimizing capital structure. In Vietnam's food processing

sector, taking advantage of tax incentives and financial policies helps relieve capital cost pressure, which is essential for sustainable development amid competition and market fluctuations.

Sponsorship Decision (SD): has a negative relationship with the cost of capital, with a coefficient of β = −0.313. This result is in line with the findings of Booth et al. (2001) [37]. When firms adopt sound financing policies, balancing debt and equity, they can optimize the cost of capital, reduce financial risk, and improve cash flow efficiency. Laeven & Levine (2021) [38] also show that effective capital management and appropriate financing policies help reduce risk and the cost of capital in volatile market conditions. In Vietnam's food processing industry, where financial challenges are prevalent, making appropriate sponsorship decisions helps firms to better control liquidity risk, improve access to preferential , and reduce capital acquisition costs.

Distribution Decision (DD): has a negative relationship with the cost of capital, with a coefficient β = –0.348. This result is consistent with the studies by Myers (1984) and Frank & Goyal (2009) [33], and aligns with the Trade-off Theory. According to this theory, firms that implement reasonable profit distribution policies - including appropriate dividend payments and retained earnings for reinvestment - can reduce the need for external borrowing, thereby lowering the cost of capital. However, if the payout policy is not balanced, firms may face difficulties in balancing capital, leading to increased supplementary financing costs. Especially in Vietnam's food processing industry, optimizing profit distribution strategies is particularly important for balancing reinvestment needs and liquidity management. Doing so helps reduce capital cost pressures and enhances competitiveness in the market.

# 6. Conclusion and Recommendations

The empirical research results show that there are six factors affect the cost of capital for Vietnamese food processing enterprises. Based on these findings, the author recommends a number of solutions to optimize the cost of capital of Vietnamese food processing enterprises as follows:

*First*, the research results have shown that market interest rates have a positive relationship with the cost of capital of Vietnamese food processing enterprises. In other words, if the market interest rate increases, the cost of capital of Vietnamese food processing enterprises increases and vice versa. Accordingly, food processing enterprises need to pay attention to the following basic issues:

Proactively review investment plans, carefully consider scale and costs, and diversify capital mobilization channels, prioritize direct capital mobilization and low-cost capital, restructure production and business activities, focus capital on main production and business sectors; increase joint ventures and partnerships, and optimize costs.

Explore new market opportunities to avoid over-dependence on a single partner or pricing mechanism. Efforts should be made to identify alternative sources of low-cost capital while maintaining market credibility. Strategic cooperation should be pursued with long-term partners offering favorable and transparent terms for all involved parties.

Proactively develop and implement financial and business plans, solutions for handling prices and interest rates internally or through collaboration with partners. Special focus should be placed on effective capital and cost management to reduce production and operating expenses. This will help ensure business plan stability, reduce overall costs, enhance competitiveness in providing goods and services, and ultimately support partner retention, attract new potential partners, and expand the customer base.

Optimize capital sources, collect money faster, control cash flow, reduce bank loan.

*Second*, the research results show that enterprise size has a positive relationship with the cost of capital for Vietnamese food processing enterprises. In other words, if the enterprise size is large, the capital cost of Vietnamese food processing enterprises will be high and vice versa. To minimize the cost of capital in relation to enterprise size, food processing enterprises should consider the following strategies:

Determine the optimal inventory level to minimize

storage costs, safety stock costs and purchasing costs.

Find suppliers with similar quality but higher discounts to save costs. Price reductions from suppliers also contribute to reducing capital costs, thereby increasing profits and improving the competitive position of the business in the market.

Develop a strategy to develop new customer systems according to the Pareto principle. The Pareto principle (80/20 rule) is the key to effectively implementing cost reduction plans for businesses. 80% of profits come from 20% of loyal customers. If businesses focus on this target group, they will reduce advertising and marketing expenses while achieving better business outcomes. Rather than constantly seeking new customers, companies can expand their customer base by leveraging existing relationships.

*Third,* the research results have shown that inflation has a positive relationship with the cost of capital of Vietnamese food processing enterprises. In other words, if inflation increases, the cost of capital of Vietnamese food processing enterprises increases and vice versa. To address the impact of inflation, food processing enterprises should consider the following key measures:

Invest in building sufficient infrastructure to serve production, stop investing in unprofitable items, to focus capital on production.

Develop systems and distribution networks, adjust investment activities, implement appropriate management solutions.

Minimize management costs, focus on production and consumption of high-profit products, maintain reasonable reserves at all stages of production and circulation.

Encourage faster payment cycles from distributors and adopt all possible measures to optimize capital turnover. Reducing dependence on bank credit and leveraging strategic partnerships can also help alleviate capital constraints in times of inflation.

Build reserve funds to respond promptly to changes in foreign exchange rates, ensure payment capacity even in foreign currency, temporarily suspend new investment projects, focus on production, grow key product groups, expand processed food groups by in-depth investment with little capital but rapidly increase revenue.

*Fourth,* the research results show that corporate income tax has an inverse relationship with the cost of capital of Vietnamese food processing enterprises. In other words, when the corporate income tax rate is high, the cost of capital tends to decrease, and vice versa. Accordingly, to take advantage of the corporate income tax in the tax shield to reduce the cost of capital, food processing enterprises need to:

Engage in effective tax planning by evaluating projected income and expenses to make sound financial decisions, thereby optimizing corporate income tax successfully and preparing for future financial fluctuations.

Classify and record expenses accurately, ensuring that costs are reasonable and legally valid according to current regulations.

*Fifth,* the research results indicate that financing decisions have an inverse relationship with the cost of capital. In other words, when financing decisions are effective, the cost of capital for Vietnamese food processing enterprises decreases. To make financing decisions more effective, food processing enterprises should:

Appoint business managers who are capable of assessing and forecasting trends in capital costs, allowing them to choose the optimal time for capital mobilization.

Completing the capital structure needs to lean towards funding sources with short maturity and flexible repayment periods for principal and interest such as preferred stocks, convertible bonds and other short-term funding sources.

Diversify capital mobilization methods. Corporate bonds, in particular, represent an important financing tool that businesses should explore and utilize.

*Sixth*, the research results have shown that the distribution decision has an inverse relationship with the cost of capital of Vietnamese food processing enterprises. In other words, if the distribution decision is effective, the cost of capital of Vietnamese food processing enterprises will decrease and vice versa. Accordingly, in order for the distribution decision to be effective, food processing enterprises need to note:

Retained profits also act as a reserve to deal with risks that may occur in the future, such as economic recession, market fluctuations, etc. Large retained profits help enterprises adjust their business in the following periods, adjust production costs, business operating costs or ways to pay profits to shareholders. Therefore, Vietnamese food processing enterprises should adopt rational distribution policies that prioritize reinvesting retained profits into reinvest in production and business activities.

**Limitations of the Article and Future Research Directions**

This study has yielded important findings in identifying and evaluating the factors that affect the cost of capital of food processing enterprises in Vietnam. These insights will help business managers mobilize and utilize capital more effectively and efficiency.

However, the study also has certain limitations, which provide directions for future research:

Firstly, the sample size remains limited. With sufficient resources and broader survey coverage across all food processing enterprises in Vietnam, the results could achieve greater representativeness.

Secondly, more in-depth research is needed to further improve the research model and measurement scales.

## Author Contributions

Conceptualization, V.T.L. and T.V.H.; methodology, V.T.L. and T.V.H.; software, V.T.L. and T.V.H.; validation, V.T.L. and T.V.H.; formal analysis, V.T.L. and T.V.H.; investigation, V.T.L. and T.V.H.; resources, V.T.L. and T.V.H.; data curation, V.T.L. and T.V.H.; writing—original draft preparation, V.T.L. and T.V.H.; writing—review and editing, V.T.L. and T.V.H.; visualization, V.T.L. and T.V.H.; supervision, V.T.L. and T.V.H.; project administration, V.T.L. and T.V.H.; funding acquisition, V.T.L. and T.V.H. All authors have read and agreed to the published version of the manuscript.

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Not applicable.

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Not applicable.

## Data Availability Statement

The data collected for this study is primary data, obtained through face-to-face interviews with 125 food processing enterprises in Vietnam. While we encourage data sharing to enhance transparency and further research, it is important to note that, due to agreements made with participants regarding their identification, we are unable to share identifiable data with third parties.

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## Conflicts of Interest

The authors declare no conflict of interest.

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