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FOREIGN OWNERSHIP AND CORPORATE FINANCIAL DECISION-MAKING: A REVIEW AND FUTURE RESEARCH AGENDA

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A B S T R A C T

Individuals, firms, and even countries face scarcity due to limited resources. To overcome this problem, in need of capital resources, firms and countries try to acquire additional capital externally through foreign investment. Previous research has examined the effect of foreign ownership on a firm's decision-making and performance. However, the systematic literature review shows that the results are still inconclusive and confuse firms and governments in determining their strategy for promoting foreign investment. There are two gaps identified surrounding current research on foreign ownership that needs special attention. First, most research considers foreign ownership as an ownership type and focuses less on the actual ownership types. Second, research has found that different characteristics of the home or host country involved in foreign investment may moderate the relationship between foreign ownership and a firm's decision-making but only considers a one-sided observation of country characteristics (home or host country only). This research proposes future research agenda in examining how different foreign owner's ownership types affect a firm's decision-making, risk, and performance and whether country characteristics differences moderate the relationships between foreign owner's ownership types, firm's decision-making, risk, and performance.
***Keywords**: country characteristics, corporate financial decision making, foreign ownership .*

Individu, perusahaan, dan bahkan negara menghadapi persoalan kelangkaan akibat terbatasnya sumber daya. Untuk menghadapi hal tersebut, terutama terkait dengan kebutuhan modal, perusahaan dan negara berupaya untuk memperoleh tambahan modal melalui sumber eksternal berupa investasi asing. Penelitian terdahulu telah dilakukan untuk mengetahui efek dari kepemilikan asing terhadap pengambilan keputusan dan kinerja perusahaan. Namun, hasil penelitian-penelitian tersebut masih beragam dan membawa kebingungan bagi perusahaan dan negara dalam memutuskan strategi untuk mempromosikan investasi asing. Terdapat dua persoalan yang ditemukan dalam penelitian-penelitian terkait kepemilikan asing. Pertama, sebagian besar penelitian menilai kepemilikan asing sebagai jenis kepemilikan dan kurang memperhatikan jenis pemilik asing sesungguhnya. Kedua, beberapa penelitian menemukan bahwa karakteristik negara memoderasi hubungan antara kepemilikan asing dan pengambilan keputusan serta kinerja perusahaan, namun penelitian-penelitian tersebut hanya mempertimbangkan satu sisi karakteristik negara (asal investor atau lokasi perusahaan). Penelitian ini mengusulkan agar agenda riset masa depan dapat menggali pengaruh perbedaan tipe kepemilikan pemilik asing terhadap pengambilan keputusan, risiko, dan kinerja perusahaan serta bagaimana perbedaan karakteristik negara dapat memoderasi hubungan antara tipe pemilik asing dengan pengambilan keputusan, risiko, dan kinerja perusahaan.
Kata kunci: karakteristik negara, pengambilan keputusan keuangan perusahaan, kepemilikan asing

INTRODUCTION

Foreign investment can be made in direct and indirect (portfolio) investments in a firm in other countries. The host country's government tries to promote this kind of investment due to the limited capital available in their country. It acts as the catalyst of economic growth, creates new jobs, and improves society's income by enabling countries with limited capital to have additional resources to produce their outputs[1]. Foreign investors are willing to be involved in this kind of investment due to high growth opportunities (Mishra, 2013; Batten & Vo, 2015; Lindemanis, Loze & Pajuste, 2019) repatriated to their home countries. These mutual benefits generated by foreign investment for the home and host countries are indicated by the increasing foreign investment trend worldwide. However, foreign investment net outflow fluctuated from early 2000 to 2019[2].

Despite the benefit generated by foreign investment, foreign investors face much higher costs when they decide to be involved in this international activity. For example, they have to face the risk of having less information, host and home country government's discrimination, and the risk coming from the exchange rate fluctuation (Hymer, 1960). Moreover, they will also face a social cost of doing business abroad due to institutional distance (cognitive, normative, and regulatory) between the home and host countries (Eden & Miller, 2004). To reduce this cost, foreign investors tend to increase their control by acquiring the highest possible percentage of firm shares (Moskalev, 2010), resulting in foreign ownership.

From the firm's perspective, where financial decisions consisting of investing, financing, and payout are made, a foreign owner's presence and control might affect its decisions and performances. Previous research has examined the effect of foreign ownership on a firm's decision-making and performance. However, the results are still inconclusive.

This study has three aims: 1) what are the related theories of foreign ownership? 2) what are the findings in the past studies on foreign ownership in corporate financial decision-making? and 3) what are the research gaps and the future research agenda on the impact of foreign ownership in corporate financial decision-making?

Some research found empirical evidence that foreign ownership has a positive impact on a firm's decision-making by reducing the tendency of overinvestment (Zhu, Tse & Li, 2019), reducing the firm's leverage (Do, Lai & Tran, 2020), and lowers firm's payout ratio (Moin, Guney & El Kalak, 2020). These improvements might improve a firm's performance by lowering its risk (Naufa, Lantara & Lau, 2019) and improving its overall performance (Shubita & Shubita, 2019). On the other hand, some others found that foreign ownership has a negative impact on a firm's decision-making by increasing the firm's short-term indebtedness level (Taran, 2019) and lowering the firm's retention rate (Jeon, Lee & Moffett, 2011). These adverse effects might worsen a firm's performance by increasing its risk (Kabir, Miah, Ali & Sharma, 2020) and lowering its financial performance (Lindemanis et al., 2019).

The inconclusiveness of previous research results might occur due to several gaps. Previous research considers foreign ownership as a type of ownership. On the other hand, internationalization theory considers foreign ownership a mode of entry into international operations (Luthans & Doh, 2018). Since different types of investors can do foreign ownership, their presence and control might impact the firm's decision-making and performance differently. Furthermore, capital investment conducted by foreign investors in a firm involves two countries, the home and host country, which have different characteristics. Some of those characteristics may also be changing over time. Previous research results have confirmed that those differences moderate foreign ownership's effect on a firm's decision-making and performance. However, the research only focuses on one side of country characteristics (the home or host country characteristics only).

The inconclusiveness of research

[1]Ana Novik and Alexandre de Crombrugghe on their OECD Investment Insigts Series titled Towards an International Framework for Investment Facilitation (April 2018).

[2]The World Bank Group on The World Bank Group Database (2020). Data recorded from International Monetary Fund (IMF) balance of payment database, supplemented by data from the United Nations Conference on Trade and Development and official national sources.

results in foreign ownership effect on a firm's decision-making, risk, and performance also confuses firms and governments in determining their strategy in promoting foreign investment. The firm faces confusion in determining which foreign investor types will affect its performance better. On the other hand, the government faces confusion in determining which country to cooperate with that will lead to a better firm's performance when they have to develop their country's foreign investment policy.

This research proposed the key assumption that foreign ownership should be considered an international operations mode of entry, not an ownership type. It is because foreign investment can be conducted by institutions, governments, banks, corporations, or individuals that may impact a firm's decision-making and performance differently. The second key assumption in this research is that foreign ownership resulting from an investor's international business activities involves two different countries, the home and host countries, which may have different characteristics. In addition, some country characteristics may change over time (e.g., institutional and governance quality).

Through the systematic literature review process, the study shows the effect of foreign ownership on a firm's decision-making key variables towards better firm performance, leading to a better economic impact of foreign investment. By considering foreign ownership as a mode of entry towards international operations, we propose that future research agenda should distinguish foreign owners' ownership types in assessing foreign ownership's impact on a firm's decision-making and performance. Rather than a one-sided measurement of country characteristics, a distance measurement assesses how different country characteristics may moderate those relationships.

The paper is organized as follows. Section 2 explains the research method. Section 3 reviews relevant agency and internationalization theory literature and discusses the previous research and future research agenda. Section 4 concludes.

RESEARCH METHODS

To meet the aims of this study, a systematic literature review is conducted by searching the previous research through ProQuest and Science Direct. Given the interchangeably used term "foreign ownership" and "foreign investment", those two keywords are used in the preliminary stage, followed by several filtering protocols. Search results summary by keywords and filtering protocols is presented in Table 1.

After getting the relevant literature list based on the keywords search and filtering process, the screening process is

Table 1.
Summary of Document Search Results

Keywords and Filtering Details	Number of Results	
	ProQuest	Science Direct
Searching by Keywords		
"Foreign Ownership"	70,698	5,023
"Foreign Investment"	583,136	18,984
"Foreign Investment" OR "Foreign Investment"	628,061	22,213
Filtering Details		
Filter on Article Type: Peer-Reviewed Journals	16,395	16,998
Filter on Subject (include): foreign investment; international finance; investment; corporate governance; stockholders; decision making; equity	546	-
Filter on Subject (include): economics, econometrics, and finance; business, management, and accounting; social sciences; decision sciences	-	248
Filter on Date: Last Ten Years	265	97

conducted. At this stage, the title and abstract of all documents were reviewed to come up with only relevant documents. Again, in this stage, many documents related to the Economics discipline (especially Macroeconomics) were founded. In the end, this screening process identified 49 most relevant peer-reviewed journal articles consisting of 38 articles from Q1 journals, five from Q2 journals, four from Q3 journals, and two from Q4 journals. Finally, reviewing previous research on foreign ownership is conducted from those articles to identify research gaps and develop a conceptual framework.

RESULTS AND ANALYSIS

The Agency Theory

The agency theory was started with a condition where the principal (one or more people) appoints agents to act and decide on their behalf. These principal-agent relationships are happening in many forms of organization, whether in a government institution, not-for-profit organization, or even in a firm. Since the principal and their agent are different people with different motives, logically, there is a possibility that the agent will not act and make a decision in the best interest of their principal, thus incurring an agency problem (Jensen & Meckling, 1976).

In a firm context, agency problems are observed mainly in the interaction between shareholders as a principal and managers as an agent that is expected to act and decide to conserve and enhance the principal's value. Stein (2003) summarizes agency problems at the firm level that may occur and impact the firm's investment decision: empire-building, reputational and career concerns, quiet life, and overconfidence. Some other research also identifies that agency problems among principals (La Porta, Lopez-de-Silanes & Shleifer, 1999; Claessens, Djankov & Lang, 2000). These problems happened due to the difference in control rights, which enable the majority shareholder to influence the firm's decisions more than the minority shareholders. Thus, in assessing the impact of different ownership types on a firm's decision-making and performance, scholars use two different kinds of measurement, the existence of a particular ownership type and the percentage of shares owned by its owners.

The study of corporate ownership structure and its relation to firm decision-making and performance has developed vastly in recent years. To mention some, there is research that examines how corporate ownership structure affects a firm's investing decision (Wei & Zhang, 2008; Wang, Luo, Tian & Yan, 2020), financing decision (Murro & Peruzzi, 2019; Chiu & Wang, 2018; Chen, King & Wen, 2019), payout decision (Balachandran, Khan, Mather & Theobald, 2019), risk (Lee, Chae & Lee, 2018; Xie, Anderson, Chi & Liao, 2019; Florackis, Kanas, Kostakis & Sainani, 2020), and performance (Holland, 2019; Eugster & Isakov, 2019; Erhemjamts & Huang, 2019).

Observing how ownership structure may affect a firm's performance in achieving its long-term shareholder wealth, Eugster & Isakov (2019) explore the relationship between founding family ownership and a firm's stock market return. They found that a family-owned firm's stock market return is significantly higher than the other, even after adjusting the returns for different firm characteristics and risk factors. This finding confirmed that agency problems tend to occur in a family-owned firm, and the abnormal return compensates other investors for having those problems.

Chiu & Wang (2019) Examined Taiwanese firms and found empirical evidence of family ownership's effect on a firm's cost of debt. A firm with family-control ownership pays a higher interest rate on its bank loans than a firm with nonfamily-control ownership. Supporting that finding, Murro & Peruzzi (2019) also found evidence that family ownership in an Italian manufacturing firm increases the probability of not having access to a bank loan. Those negative impacts on a firm's financing opportunity happened due to increased agency problems associated with family ownership. Family-owned firms have higher opacity resulting in higher information asymmetry between the firm and bondholders.

Observing how ownership structure affects a firm's payout decision, Mulyani, Singh & Mishra (2016) found empirical evidence that Indonesian firms controlled by family owners pay fewer dividends than non-family-controlled firms. Controlling family owners tend to retain more so that they can maintain the cash that they could receive. This phenomenon might harm minority shareholders' rights and increase agency problems between shareholders, as suggested by Claessens et al. (2000).

On the other hand, institutional investors may affect a firm's performance differently. Institutional owners are considered to have more attention to environmental, social, and governance issues. By distinguishing between long-term and short-term institutional investors, Eugster & Isakov (2019) found empirical evidence that long-term institutional owners promote the firm's CSR activities while short-term institutional owners discourage the firm's CSR. The findings highlighted the importance of conducting a careful assessment of ownership type. Another example is provided by Holland (2019), who investigates how government ownership may improve firm value. He found that the market reacts positively to government investment in a firm. However, the market reacts negatively to government entities' investments that are most likely to pursue a political motivation. The findings highlighted the importance of conducting a careful assessment of ownership type. Government investors are a heterogeneous group, and their impact on the target firm differs depending on the government investor type. To better understand how an ownership structure may affect a firm's decision-making or performance, one should distinguish different types of owners carefully.

Those previously presented examples conferred that different ownership types might impact firms differently. Thus, in the case of foreign ownership, it is crucial to differentiate the ownership types of foreign owners to come up with a better understanding of foreign ownership relationships with the firm's decision-making and performance. Mention some ownership types are categorized by insider ownership (Erhemjamts & Huang, 2019; Florackis et al., 2020; Chen et al., 2019; Balachandran et al., 2019), government ownership (Boubakri, El Ghoul, Guedhami & Hossain, 2020; Xie et al., 2019; Holland, 2019), institutional ownership (He, Huang & Zhao, 2019; Hutson, Laning & Ye, 2019; Erhemjamts & Huang, 2019), bank ownership (Wang et al., 2020; Limpaphayom, Rogers & Yanase, 2019), and family ownership (Purkayastha, Veliyath & George, 2019; Murro & Peruzzi, 2019; Eugster & Isakov, 2019; Chiu & Wang, 2019; Lee et al., 2018). In the case of foreign ownership, the insider and family ownership type will be omitted and replaced with private ownership (individuals) and corporation ownership (Taran, 2019).

The Internationalization Theory

Internationalization theory assumes that firms try to minimize their cost in international activities by carefully deciding on investment location and market entry strategy (Tang & Buckley, 2020). In contrast, the entry strategy might be in export/import, a wholly-owned subsidiary, mergers/ acquisitions, alliance & joint ventures, licensing, and franchising (Luthans & Doh, 2018). In addition, those entry strategies may involve foreign investment in equity financing (foreign ownership). By considering cost minimization as the primary consideration in deciding international activity strategy, internationalization theory may help link the cost characteristics associated with foreign equity market entry strategy (Surdu & Mellahi, 2016).

There are at least two primary considerations regarding the cost of having international activities to be considered. The first one was initially developed by Hymer (1960). He argued that there are four disadvantages (known as the Cost of Doing Business Abroad) faced by foreign investors while conducting an international activity. It has less information (compared to local firms), discrimination by the host country government, discrimination by the home country government, and foreign exchange risks. The second cost that should be considered in having international activities is known as the Liability of Foreignness (Zaheer, 1995). It highlights the social cost of doing business abroad measured by institutional distance (cognitive, normative, and regulatory) between the home and host countries as the key driver (Eden & Miller, 2004). Despite their different drivers, these two cost concepts have the same result. In addition, foreign investors face adaptation costs when involved with international activities (Rugman & Verbeke, 2008).

The adaptation cost faced by foreign investors can be measured by the physical distance between two countries involved in foreign investment activities (the home and host country). The higher the physical distance between two countries, the higher the foreign investor should consider the adaptation cost. Håkanson & Ambos (2010) researched the antecedents of physical distance, defined as the subjectively perceived distance to a foreign country. The following factors are all influencing physical distance: (1) cultural distance, (2) geographic distance, (3) linguistic difference, (4) political rivalry, (5) institutional quality, and (6) governance quality distance.

The term "distance" in assessing the difference between home and host country characteristics should consider the absolute value of the difference between two countries' characteristics and the direction of difference between two countries' characteristics (Tang & Buckley, 2020) when possible.

Foreign Ownership and Country Characteristics

Research on foreign ownership determinants primarily focuses on factors affecting investors' decisions on making their capital investments in foreign countries. Mishra (2013) found that in the Australian setting, foreign investors prefer to invest in firms that are considered large and have a high book-to-market value, showing a good growth prospect for investors. These findings are aligned with what Batten & Vo (2015) and Lindemanis et al. (2019) found in Vietnam and the European setting, respectively. Foreign investors tend to invest in large, less profitable firms to gain higher growth prospects. Mishra (2013) also found that foreign investors tend to invest in firms listed in the foreign capital market. Listing their shares in the foreign capital market requires those firms to fulfill investor protection regulations and disclosure requirements. As a result, they have a better financial reporting quality that can help minimize the risk associated with asymmetric information. To decrease investment risk, foreign investors also avoid firms with high leverage (Batten & Vo, 2015).

Another attempt conducted by foreign investors to protect themselves from the risk surrounding foreign investment is also made through their ownership characteristic preferences. Using mergers and acquisition data worldwide, Moskalev (2010) found that foreign investors tend to acquire the highest possible percentage of firm shares when involved in foreign investment to get the most significant possible control over their investment. However, Taiwanese firms that conducted foreign investment in China have a different way of minimizing their risk. The empirical evidence presented by Cho, Huang & Padmanabhan (2014) indicated that Taiwanese firms tend to invest in Chinese firms that local institutional owners also own, thus expected to have lower risk due to higher control from their local institutional owners. Moreover, in India, foreign owners invest more in firms with lower founder ownership due to the lower possibility of having information problems and expropriation risk (Chauhan & Kumar, 2017).

Moving from the firm's characteristics and ownership preference, foreign investors also consider regional and country-level characteristics in their investment decision. Consistent with what Chauhan & Kumar (2017) found, Lin, Mihov, Sanz & Stoyanova (2019) found that US foreign investors avoid expropriation through their preference to have foreign investment in countries with a higher level of property rights protection. Observing foreign investment in China, Jin, Wang, Wang & Yin (2016) found that foreign investors are more interested in investing in a firm located in a province with higher social trust and institutional quality. In a global setting, Boubakri, Guedhami & Saffar (2016) observed how a firm's distance from domestic financial centers (as a proxy of financial institution's control on s firm) and country-level institution quality affect foreign investors' decisions. They tend to invest in firms located around domestic financial centers and countries with better institution quality. To compensate for the risk of foreign investment in firms far from domestic financial centers, especially in low-institution quality countries, foreign owners tend to require more return through a higher cost of equity.

Tunay & Yüksel (2017) found empirical evidence from 65 developing countries that foreign banks (financial institutions) tend to enter countries with better country governance levels (lower corruption index, higher government effectiveness, higher political stability and absence of violence, higher regulatory quality, the higher rule of law, and higher accountability). Moreover, observing foreign investment in non-financial institutions, foreign investors also consider having full ownership in countries with higher institutional quality, indicated by a higher control-of-corruption index (Alquist, Berman, Mukherjee & Tesar, 2019).

The most current research observed that foreign investors' preference for foreign investment was shifting. Rather than using country-specific characteristics as independent variables affecting foreign investment preference, they try to use them as moderating variables. In their meta -analysis of 64 empirical studies involving 52,229 foreign ownership decisions, Tang & Buckley (2020) investigate how institutional constraints and risk-taking tendencies moderate the relationship between country risk and ownership strategy. They found that institutional constraints and risk-taking tendencies moderate the relationship between country risk and ownership strategy.

Another current development worth mentioning is that since foreign investment involves two countries (home and host countries) with different characteristics in the process, the distance between those different characteristics as a measure might capture the difference between home and host country characteristics better. As an example, Trąpczyński, Halaszovich & Piaskowska (2017) used institutional distance as a measure to better capture the difference between home and host country characteristics and found out that in the case of Poland, the amount and direction of institutional distance affect foreign investors perception in making a foreign investment.

Although the discussions on foreign ownership determinants are not directly related to the proposed research on how foreign ownership affects a firm's decision-making and performance, different settings might affect those relationships. This review shows that the current development on the determinant of foreign ownership research has shifted. They are now considering country characteristics as moderating variables and measuring them using the difference between home and host country characteristics.

Foreign Ownership and Corporate Financial Decision-Making

Investigation on how foreign ownership affects a firm's investment decisions is conducted in several ways. The first proxy that is used as a proxy of investment is the firm's R&D expenses. Girma, Gong, Görg & Lancheros (2015) found out that in China, foreign ownership increases the likelihood of a firm conducting R&D. They also try to investigate whether investment coming from the same cultural setting (Chinese ethnic countries) provides better results but end up with no empirical evidence supporting it. In a different setting, Kwon & Park (2018) found similar evidence that a Japanese firm's R&D investment is also positively affected by foreign ownership, mostly if the firm's business is unrelated to its foreign owner's business. They also tried to investigate whether the home country's economic development of foreign investors impacted R&D investment and concluded that firms with foreign investors from non-G7 countries have higher R&D investments than others.

The impact of R&D investment can also be translated into a firm's degree of innovation. Dachs & Peters (2014) used product and process innovation to describe the overall possible innovation that a firm can conduct. They found that in the European setting, foreign ownership has a positive relationship with innovations, but these innovations have different impacts on employment growth. While product innovation makes firms hire new employees, process innovation makes them lay off current employees. However, the net result of foreign ownership on innovation and employment growth still shows a positive correlation. They also found that foreign investors' home countries (European and Non-European) affect net employment growth from innovation.

Carney, Estrin, Liang & Shapiro (2019) extended those findings and found that foreign ownership significantly increases labor productivity. Unlike Dachs & Peters (2014), that observe foreign investors' home countries as moderating variables, they found that a firm host country's institutional quality moderates foreign ownership's impact on labor productivity. Foreign ownership also positively impacts the employee's education and skill improvement (Teixeira & Tavares-Lehmann, 2014). Those improvements come from intensive training and hiring (Koch & Smolka, 2019). As a consequence of hiring a highly educated employee, foreign-owned firms pay, on average higher salaries than other firms (Gueorguiev & Malesky, 2012; Elliott & Zhou, 2015; Wang & Wang, 2015). However, empirical evidence shows that even though R&D investment and product innovation improve firm performance and increase executive bonuses, foreign ownership negatively moderates those relationships through an active monitoring role (Yoshikawa, Rasheed & Del Brio, 2010). Regardless of the increase and decrease in cost associated with employee salary, bonuses, and productivity, the foreign-owned firm enjoys net cost reduction (Alexakis & Samantas, 2020) and thus improve their competitiveness (Lee, Hsieh & Yang, 2016).

Investment efficiency is the last proxy deployed to investigate how foreign investment affects a firm's investment decision. Chen, Ghoul, Guedhami & Wang (2017) used firm investment Q sensitivity and found that foreign ownership increases firm investment efficiency. To better account for different country characteristics, they use host country institution quality as moderating variable and found evidence that the relationship between foreign ownership and firm investment efficiency is more pronounced in countries with low institution quality. Zhu et al. (2019) also found that foreign ownership in Chinese firms can reduce agency problems associated with the tendency of managers to conduct empire-building, which can lead to investment inefficiency (overinvestment).

To support a firm's ability to conduct investment activities, the firm's financing decision becomes essential. Do et al. (2020) found evidence from listed Taiwanese firms that firms with foreign ownership are less likely to issue new debt since foreign investors' funds can act as a substitution for a firm's debt financing. A foreign investor also helps the firm to reduce its leverage adjustment cost, thus increasing the speed of adjustment towards the optimal capital structure. Moreover, An, Chen, Li & Yin (2021) found that from a worldwide observation consisting of 38 economies, long-term foreign institutional ownership has a positive effect on a firm's speed of leverage adjustment, especially on firms that need to decrease their financial leverage in achieving their optimal position. This evidence shows that foreign institutional ownership might mitigate agency conflicts between shareholders and managers. However, foreign ownership held by a corporation was founded to positively affect the firm's short-term indebtedness level in the Romanian case (Taran, 2019).

Another empirical evidence showing how foreign ownership can support a firm's financing requirement is provided by Lam, Sami & Zhou (2012), that examined the effect of foreign ownership on cash dividend payments in China. They found that firms with higher foreign ownership tend to pay fewer cash dividends. They prefer to retain their earnings to fund their future investment financing requirement. Moreover, Moin et al. (2020) also found that foreign ownership is associated with lower dividend payout in the Indonesian market, signaling the expropriation of firms' wealth by majority shareholders. However, empirical evidence from the Korean stock market showed a different result. Jeon et al. (2011) found that firms with more foreign ownership prefer to pay more cash dividends. This phenomenon probably happened due to the nature of foreign investors' ownership type in Korea, which is majority held by institutional owners.

Moving to the effect of foreign ownership on firm risk, empirical evidence showed that foreign ownership positively impacts reducing firm risk. A higher percentage of foreign ownership in a firm ownership structure is confirmed to decrease stock return volatility (Vo, 2015; Naufa et al., 2019) and decrease the firm's stock price bid-ask spread (Lee & Chung, 2018). Moreover, He, Li, Shen & Zhang (2013) found that large foreign ownership can increase stock price informativeness showed by lower firm-specific variations in stock return, thus lowering firm risk. They also found that this effect is more substantial in countries with a higher level of governance.

In the banking industry, Lassoued, Sassi & Attia (2016) found that in the MENA region, foreign ownership reduces a bank's risk-taking behavior proxied by the bank's Z-score, earnings volatility, loan loss provision to total asset ratio, and capital adequacy ratio. Additionally, Fiala & Havranek (2017) found that during crises, the risk of contagion from a foreign parent bank to its local subsidiary is substantially lower than the risk between two local banks. There is also proof from non-financial sectors that during a crisis, foreign-owned firms are more resilient (Kolasa, Rubaszek & Taglioni, 2010) and can maintain their performance (Bykova & Jardon, 2017).

Although several previous research shows that foreign ownership has a positive effect on lowering a firm's risk, Kabir et al. (2020) have the opposite finding. Observing how foreign ownership affects firm default risk in the Japanese setting, they found evidence that foreign ownership has a positive relationship with default risk. Foreign owners' presence can improve a firm's governance but might also influence the firm's management team to take on risky investment projects. Moreover, a high level of innovation introduced by foreign owners might also increase the firm's uncertainty. This finding is aligned with what Boubakri, Cosset & Saffar (2013) found in the case of newly privatized firms. When the government deliberately sells some of its shares in a state-owned enterprise to foreign investors as private economic agents, they believe their presence will positively affect the performance of the state-owned enterprise. This is due to the higher firm's corporate risk-taking as they develop innovative projects such as introducing new production technologies, cutting costs, reducing expenses, or tightening controls on production processes.

Due to the distance between the firm and its foreign owners limits the owner's control over the manager's decisions, so foreign-owned firms are considered to engage more in bribery. Nevertheless, those governance problems can be minimized with a better country's institution quality and external auditing agency (Yi, Teng & Meng, 2018). On the other hand, although foreign-owned firms tend to be involved in unethical business practices with external parties, foreign-owned firms actively build their social engagement through a higher level of CSR (McGuinness, Vieito & Wang, 2017). Although foreign ownership is confirmed to increase a firm's CSR level, the case is not the same when Garanina &

Array (2020) examined foreign ownership's effect on Russian firms' CSR disclosure. They found that foreign ownership does not enhance a firm's CSR disclosure due to tax efficiency considerations. Furthermore, Hanousek, Shamshur & Tresl (2019) found that foreign-owned firms tend to be less corrupt than firms without foreign ownership. As their research mainly discussed the effect of corruption on firm efficiency, foreign ownership is founded to moderate a lower level of corruption, thus increasing firm efficiency and performance.

Taking into account civic capital variation across Italian provinces, Bürker, Franco & Minerva (2013) observe how foreign ownership influences firm performance. They found that the effect of foreign ownership is less favorable for firms located in provinces with low civic capital. To improve its governance, a firm with foreign ownership also tends to hire more independent directors than domestically owned firms. Unfortunately, this strategy negatively impacts the firm's profitability (Meng, Clements & Padgett, 2018).

To better capture how foreign ownership affects firm performance, Wang & Wang (2015) conducted a study that compares foreign and domestic investment impact on firm productivity and financial performance in China. They found that both foreign and domestic investment has the same positive relation to firm productivity. Still, foreign investment has a more positive impact on improving a firm's financial performance compared to domestic investment. Another single country evidence of how foreign ownership affects a firm's performance is provided by Shubita & Shubita (2019). They examined the effect of foreign ownership in the Jordanian market as a representation of emerging markets and found that foreign ownership positively affects a firm's performance. Moreover, a recent study by Iwasaki, Ma & Mizobata (2022) meta-analyzed 204 previous studies on how ownership structure affects firm performance in emerging markets. They found that the presence of foreign owners positively affects firm performance.

On the contrary, Lindemanis et al. (2019) found that foreign ownership is associated with lower returns on assets and profit margins. However, in the long-run, foreign ownership positively affects a firm's operational efficiency. They also identified that the positive impact of foreign ownership on a firm's performance is more pronounced in firms where foreign owners come from economically more developed and better-governed countries.

Future Research Agenda

A review of previous research on foreign ownership, both highlighting foreign ownership determinants and foreign ownership effects on a firm's decision-making and performance, has been presented over the last two sections. Table 2 summarizes what has been done by previous research and what future research agenda is proposed to fill the gap. Key elements consist of the foreign ownership effect observed. In addition, the country characteristics are considered the measurement of country characteristics, and the foreign owner's ownership type is chosen based on the review of agency theory and internationalization theory.

The research gaps in Table 2 are summarized in the proposed conceptual framework (Figure 1). Future research should examine the relationship between foreign owner's ownership types (institutional, government, bank, corporate and private) and the firm's financial performance (H1), risk (H2), and corporate financial decision-making (H3: investing; H4: financing; and H5: payout decisions). Furthermore, a worldwide sample should be examined to test the robustness of whether home-host country characteristics distance (e.g., cultural, geographical, linguistic, political, institutional, and governance quality) might moderate those relationships (H6a to H6e).

Careful assessment should be considered in choosing the firm group in which foreign ownership is expected to influence the firm's financial performance, risk, and decision-making. Previous research suggests that banks and financial institutions should be analyzed separately

Table 2.
Proposed Future Research Agenda State of the Art

			Foreign Ownership Effect					Country Characteristics[2]						Measure[3]			Foreign Ownership Type[4]				
No	Author(s) & Year	Scope[1]	Investing	Financing	Payout	Risk	Performance	Cultural	Geographical	Linguistic	Political	Institutional Quality	Governance Quality	One-Sided	Distance - Amount	Distance - Direction	Institutional	Government	Bank	Corporation	Private
Foreign Ownership and Country Characteristics																					
1	Moskalev (2010)	W										v		v							
2	Mishra (2013)	S																			
3	Cho, Huang, and Padmanabhan (2014)	S																			
4	Batten and Vo (2015)	S																			
5	Boubakri, Guedhami, and Saffar (2016)	W																			
6	Jin, Wang, Wang, and Yin (2016)	S										v		v							
7	Tunay and Yüksel (2017)	R																			
8	Chauhan and Kumar (2017)	S																			
9	Alquist, Berman, Mukherjee, and Tesar (2019)	R																			
10	Lin, Mihov, Sanz, and Stoyanova (2019)	S																			
11	Tang and Buckley (2020)	W										v		v							
12	Trąpczyński, Halaszovich, and Piaskowska (2020)	R																			
Foreign Ownership and Corporate Financial Decision Making																					
13	Yoshikawa, Rasheed, and Brio (2010)	S					v														
14	Kolasa, Rubaszek, and Taglioni (2010)	S					v														

Table 2 (continue)
Proposed Future Research Agenda State of the Art

			Foreign Ownership Effect					Country Characteristics[2]						Measure[3]			Foreign Ownership Type[4]				
No	Author(s) & Year	Scope[1]	Investing	Financing	Payout	Risk	Performance	Cultural	Geographical	Linguistic	Political	Institutional Quality	Governance Quality	One-Sided	Distance - Amount	Distance - Direction	Institutional	Government	Bank	Corporation	Private
	Proposed Research	W	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v
Foreign Ownership and Corporate Financial Decision Making																					
15	Jeon, Lee, and Moffett (2011)	S			v																
16	Villarreal and Sakamoto (2011)	S					v														
17	Lam, Sami, and Zhou (2012)	S			v																
18	Bürker, Franco, and Minerva (2013)	S					v					v		v							
19	He, Li, Shen, and Zhang (2013)	W				v							v	v							
20	Teixeira and Tavares-Lehmann (2014)	S					v														
21	Dachs and Peters (2014)	R					v		v					v							
22	Vo (2015)	S				v															
23	Elliott and Zhou (2015)	S					v														
24	Girma, Gong, Görg, and Lancheros (2015)	S	v				v		v					v							
25	Wang and Wang (2015)	S					v														
26	Lassoued, Sassi, and Attia (2016)	R				v															
27	Ben-Nasr (2016)	W					v														
28	Lee, Hsieh, and Yang (2016)	W					v														
29	Chen, Ghoul, Guedhami, and Wang (2017)	W	v									v		v			v				
30	McGuinness, Vieito, and Wang (2017)	S					v														
31	Fiala and Havranek (2017)	R				v															

Table 2 (continue)
Proposed Future Research Agenda State of the Art

			Foreign Ownership Effect					Country Characteristics[2]						Measure[3]			Foreign Ownership Type[4]				
No	Author(s) & Year	Scope[1]	Investing	Financing	Payout	Risk	Performance	Cultural	Geographical	Linguistic	Political	Institutional Quality	Governance Quality	One-Sided	Distance - Amount	Distance - Direction	Institutional	Government	Bank	Corporation	Private
Foreign Ownership and Corporate Financial Decision Making																					
32	Bykova and Jardon (2017)	S					v														
33	Yi, Teng, and Meng (2018)	W					v						v	v							
34	Kwon and Park (2018)	S	v									v		v							
35	Lee and Chung (2018)	R				v															
36	Meng, Clements, and Padgett (2018)	S					v														
37	Lindemanis, Loze, and Pajuste (2019)	R					v					v		v							
38	Naufa, Lantara, and Lau (2019)	R				v															
39	Carney, Estrin, Liang, and Shapiro (2019)	W					v					v		v							
40	Koch and Smolka (2019)	S					v														
41	Hanousek, Shamshur, and Tresl (2019)	R					v														
42	Zhu, Tse, and Li (2019)	S					v														
43	Moin, Guney, and Kalak (2019)	S			v																
44	Taran (2019)	S		v																	
45	Shubita and Shubita (2019)	S					v														
46	Garanina and Aray (2020)	S					v														
47	Kabir, Miah, Ali, and Sharma (2020)	S				v															
48	Alexakis and Samantas (2020)	R					v					v		v							

due to their unique operating and financial environment (Kabir et al., 2020; Do et al., 2020; Lindemanis et al., 2019). Banks and financial institutions are also subjected to two linkages which are: (i) linkage between local banks and (ii) linkage between foreign parent banks and their local subsidiary (Fiala & Havranek, 2017). Moreover, each country might have different banking and financial services regulations, which the firm's domestic and foreign subsidiaries' operations should comply with (Lee et al., 2016).

Furthermore, differentiating between government and non-government-owned firms might bring different results. For example, managers of a state-owned-enterprise would have to satisfy the government's goals of maximizing employment and wages, promoting regional development, increasing national security, or providing cheap (even underpriced) goods and services rather than maximizing the firm's value (Chen et al., 2017). This situation can be observed in banking (Lassoued et al., 2016) and non-banking firms (Chen et al., 2017; Boubakri et al., 2013).

CONCLUSION

This research aims to examine the gap in foreign ownership research on corporate financial decision-making. From the review, two gaps identified surrounding current foreign ownership research need special attention. First, most research considers foreign ownership as an ownership type and puts less attention on the actual foreign owner's ownership types. Since the internationalization theory suggests that foreign ownership should be considered a foreign market entry strategy, it is crucial to recognize the foreign owner's ownership type as it is recognized to be a presence in firms without foreign owners.

Second, many research has already found that different characteristics of the home or host country involved in foreign investment may moderate the relationship between foreign ownership and a firm's decision-making. However, those research only considers a one-sided observation of country characteristics (home or host country only). Since foreign investment involves two countries, careful attention to how country characteristics distance (amount and direction) between home and host country should be made.

To fill those gaps, this research proposes that future research agenda should distinguish foreign owners' ownership types in assessing foreign

Table 2 (continue)
Proposed Future Research Agenda State of the Art

			Foreign Ownership Effect					Country Characteristics[2]						Measure[3]			Foreign Ownership Type[4]				
No	Author(s) & Year	Scope[1]	Investing	Financing	Payout	Risk	Performance	Cultural	Geographical	Linguistic	Political	Institutional Quality	Governance Quality	One-Sided	Distance - Amount	Distance - Direction	Institutional	Government	Bank	Corporation	Private
Foreign Ownership and Corporate Financial Decision Making																					
49	Do, Lai, and Tran (2020)	S		v																	
	Proposed Research	W	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v

[1] S: Single Country; R: Region; W: Worldwide.
[2] Country Characteristics (Physical Distance) as Moderating Variable of Foreign Ownership Effect.
[3] Measurement of Country Characteristics; One-Sided: only consider home or host country characteristics; Distance-Amount: consider the absolute amount of difference between home and host country characteristics; Distance-Direction: consider the direction of difference between home and host country characteristics.
[4] Consider differences in foreign ownership types.

ownership impact on a firm's decision-making and performance. Rather than using a one-sided measurement of country characteristics, we propose a distance measurement to assess how different country characteristics may moderate those relationships.

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